EXTENSION OF UNEMPLOYMENT COMPENSATION BENEFITS

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

JULY 29, 1982

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EXTENSION OF UNEMPLOYMENT COMPENSATION BENEFITS

THURSDAY, JULY 29, 1982

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 9:31 a.m., in room 2221, Dirksen Senate Office Building, Hon. Robert J. Dole (chairman) presiding.

Present: Senators Dole, Heinz, Long, Baucus, Boren, and Bradley.

Also present: Senators Sarbanes, Byrd (W. Va.), Metzenbaum, Riegle, and Levin.

[The press release announcing the hearing, background material on extension of unemployment insurance benefits, the opening statements of Senator Dole, and Senator Heinz follow:]

Press Release No. 82-151

PRESS RELEASE

FOR IMMEDIATE RELEASE
July 20, 1982

UNITED STATES SENATE
COMMITTEE ON FINANCE
2227 Dirksen Senate Office Building

FINANCE COMMITTEE SETS HEARING ON EXTENSION OF UNEMPLOYMENT COMPENSATION BENEFITS

Senator Robert J. Dole, Chairman of the Finance Committee, announced today that the Committee will hold a hearing Thursday, July 29, 1982, on the extension of unemployment compensation benefits beyond the number of weeks provided by the regular State programs and the Federal-State Extended Benefits (EB) program.

The hearing will begin at 9:30 a.m. in Room 2221 of the Dirksen Senate Office Building.

John Cogan, Assistant Secretary for Policy Evaluation and Research, Department of Labor, will represent the Administration.

In announcing the hearing, Senator Dole noted that "we are all concerned about the continued high rate of unemployment and the hardships it imposes."

"The traditional political response to similar situations," he continued, "has been to provide additional months of unemployment compensation beyond the 9 months that are already payable. In fact, the large debt that was incurred as a result of past liberalizations has yet to be repaid."

"The best way to reduce unemployment is to get the economy moving again and there is broad agreement that the way to do this is by controlling Government spending and reducing the Federal deficit." Dole added, "Any proposals will have to be considered in that context."

Senator Dole concluded, "This hearing will provide a valuable opportunity to assess whether or not the extension of unemployment compensation benefits for up to a year is an appropriate response to the current recession. It will also allow us to consider the effects of the unemployment compensation system itself on the duration of unemployment and job search efforts."

Requests to testify.--Witnesses who desire to testify at the hearing must submit a written request to Robert E. Lighthizer, Chief Counsel, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510, to be received no later than the close of business on Monday, July 26, 1982. Witnesses will be notified as soon as practicable thereafter whether it has been possible to schedule them to present oral testimony. If for some reason a witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance. In such a case, a witness should notify the committee of his inability to appear as soon as possible.

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MICHAEL STERN, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, D.C. 20510

July 28, 1982

TO: FINANCE COMMITTEE MEMBERS

FROM: INCOME SECURITY STAFF

SUBJECT: THURSDAY HEARING ON EXTENSION OF UNEMPLOYMENT INSURANCE BENEFITS

On Thursday, July 29, at 9:30 a.m., there will be a full committee hearing on proposals to extend unemployment compensation benefits beyond the 39 weeks provided by the regular State programs and the Federal-State Extended Benefits (EB) program. A witness list is attached.

Also attached is background material on the unemployment insurance system and previous supplemental benefits programs, as well as the most recent Department of Labor "trigger notice" indicating State insured unemployment rates as of July 10, 1982.

I. THE UNEMPLOYMENT INSURANCE SYSTEM

Financing

The Federal-State Unemployment Insurance (UI) system was established by the Social Security Act of 1935 to provide temporary and partial wage replacement for involuntary unemployed workers. Today, about 97 percent of all wage and salary workers are covered. The Federal and State Governments finance the system with separate payroll taxes on employers. The U.S. Department of Labor oversees the system, but each State administers its own program. Administrative funds come from the Federal payroll tax. Regular benefits are paid from the State payroll taxes while benefits under the Extended Benefits (EB) program are one-half federally financed.

In February 1982, the Administration projected FY 83 benefit costs of $20.6 billion, administrative costs of $2.3 billion (including the Employment Service), and Federal and State unemployment taxes of $3.4 billion and $14.3 billion, respectively.

The Social Security Act and the Federal Unemployment Tax Act (Chapter 23 of the Internal Revenue Code of 1954) provide the framework for the system. The Federal Unemployment Tax Act (FUTA) currently imposes a minimum net Federal payroll tax on employers of 0.7 percent of the first $6,000 paid annually to each employee. The gross FUTA tax rate is 3.4 percent, but employers in States meeting certain Federal requirements and having no delinquent Federal loans are eligible for a 2.7 percent credit, making the net Federal tax 0.7 percent. This amounts to $42 per worker earning at least $6,000 annually or about two cents per hour worked, assuming the individual works 40 hours per week for the full year.

The FUTA requires State laws to meet certain requirements. They deal mainly with coverage, taxation, eligibility, and administration. The following requirements relate to State UI taxes: (1) all State UI tax revenue must be deposited in the respective State accounts of the Federal Unemployment Trust Fund established by title IV of the Social Security Act; (2) all money withdrawn from the State accounts is to be used only for payment of unemployment compensation and refunds for erroneous tax contributions to the fund, exclusive of administrative expenses, except under certain limited conditions; and (3) State UI tax rates on employers below the usual standard of 2.7 percent are permitted only if they vary directly with the employers' recent layoff experience.

In addition to the minimum net Federal Unemployment Tax of 0.7 percent, the States finance their programs with payroll taxes imposed on at least the first $6,000 paid annually to each employee. As of January 1, 1982, 25 State programs had tax bases higher than the Federal base of $6,000, ranging up to $14,600 in Alaska and all wages in Puerto Rico. Although the State tax rate is usually 2.7 percent, State tax rates range from zero on some employers in many States up to a maximum of 9.0 percent in

Michigan. Estimated average State tax rates on total wages in 1982 varied from 0.3 percent in Texas to 3.0 percent in Puerto Rico.

The Programs

During the past 11 years, the States have paid benefits under three programs: the permanent, regular benefit programs of the States; the permanent Federal-State Extended Benefits (EB) program; and the temporary, emergency Federal Supplemental Benefits (FSB) program. Table 1 shows the total benefits paid under these programs from 1971 through 1981 and the Administration's February outlay projections for fiscal years 1982 through 1986.

Regular Benefits

The States determine the duration of benefits and weekly benefit amounts in these programs. The regular State programs usually provide up to 26 weeks of benefits. Seven States provide more than 26 weeks, ranging up to 36 weeks in Utah. Puerto Rico has the only program providing a maximum duration of less than 26 weeks (20 weeks). Benefit amounts are based on a worker's employment and earnings history, usually in the first four of the five calendar quarters preceding unemployment. Unemployed persons usually must have worked at least two quarters during this period and/or must have earned a minimum amount varying from $150 in Hawaii to $2,200 in Virginia to qualify for a minimum weekly benefit. Worker benefits then increase with the amount of previous earnings up to a maximum. As of January 1, 1982, the lowest benefit amounts varied from $5 per week in Hawaii to $58 per week in Alaska, while maximum benefits (excluding dependents' allowances) ranged from $84 per week in Puerto Rico and Indiana to $206 per week in the District of Columbia.

Extended Benefits

The Federal-State Extended Benefits (EB) program was permanently authorized by the Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373). It is financed equally by the State and Federal unemployment taxes. It provides, for claimants exhausting regular benefits, an additional 13 weeks of benefits or, if less, one-half of an individual's regular program benefits. The combined potential duration of benefits under the regular and EB programs is 39 weeks.

The EB program is triggered on when the "insured unemployment rate" (IUR) in a State reaches a certain level. Under the law effective for weeks beginning before September 25, 1982, the trigger activates EB in a State when the 13-week insured unemployment rate is at least 4% and is also 20% higher than the average IUR in the last 2 years (over the same 13-week period). Alternatively, at State option, the EB program can trigger on when this 13-week IUR is at least 5% only. (13 States have not adopted the 5% option). The Omnibus Reconciliation Act of 1981 (P.L. 97-35) raised the trigger levels. Effective in the weeks beginning after September 25, 1982, the 4% condition increases to 5% and the 5% option increases to 6%. (Prior to the Reconciliation Act of 1981, the EB program could also trigger on--in all States--when the national IUR reached 4.5%.)

Federal Supplemental Benefits

The temporary, emergency Federal Supplemental Benefits (FSB) program was originally authorized by the Emergency Unemployment Compensaton Act of 1971 (P.L. 92-224), and expired on September 30, 1972. It was designed to be financed by the Federal Unemployment Tax. FSB was reauthorized by the Emergency Unemployment Compensation Act of 1974 (P.L. 93-572). FSB originally provided 13 additional weeks of benefits to claimants exhausting EB or, if less, one-half of the claimant's total regular program benefits. The combined potential maximum duration of benefits for the regular, EB, and FSB programs was 52 weeks. The Tax Reduction Act of 1975 (P.L. 94-12), however, added up to 13 additional weeks for a combined potential maximum of 65 weeks. The first 13 weeks of the FSB program was activated when the State IUR was 5 percent and the EB program triggered on. The second 13 weeks activated when the State IUR was 5 percent, which was increased to 6 percent beginning January 1, 1976, by the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975 (P.L. 94-45).

This situation remained in effect until May 1, 1977. The Emergency Unemployment Compensation Extension Act of 1977 (P.L. 95-19) reauthorized the first 13 additional weeks only through January 31, 1978 after which FSB expired. This Act also provided for General Fund financing of FSB after April 1, 1977.

Table 2 shows the debt owed by the unemployment trust fund for unfunded unemployment benefit outlays, including those occurring as a result of the supplemental benefits programs of the 1970's.

II. FEDERAL SUPPLEMENTAL UNEMPLOYMENT BENEFIT BILLS IN THE 97TH CONGRESS

A number of bills have been introduced in the 97th Congress to establish supplemental benefits programs: (1) The Federal Supplemental Unemployment Compensation Act (title I of H.R. 6369 and S. 2550); (2) The Federal Emergency Unemployment Compensation Act (S. 2542); (3) The Emergency Unemployment Compensation Act of 1981 (S. 798); and (4) The Federal Supplmental Unemployment Assistance Act of 1982 (S. 2637).

(1) Federal Supplemental Unemployment Compensation Act (Title I of H.R. 6369 and S. 2550)

Title I of H.R. 6369, the Federal Supplemental Unemployment Compensation Act of 1982, was reported with amendments (H. Rept. 97-587) by the Committee on Ways and Means on May 25, 1982, and is currently pending before the Rules Committee. The Committee on Ways and Means reaffirmed its support for H.R. 6369 in its budget markup on July 15, but as of July 26, the House had not acted further on the proposal.

The Federal Supplemental Unemployment Compensation Act of 1982 (title I of H.R. 6369) is nearly indentical to a bill (S. 2550) introduced by Senator John Heinz with four cosponsors. The authorization of $13.1 million from the General Fund to cover additional costs of administering the unemployment compensation program in H.R. 6369 is the only substantive difference. Otherwise, both bills would, from enactment through fiscal year 1983, provide to individuals who have exhausted their regular and EB program entitlements in States where the Extended Benefits (EB) program is activated, a maximum of 13 additional weeks of benefits. The combined maximum duration under the regular, EB, and Federal Supplemental Compensation (FSC) would increase from 39 to 52 weeks.

Much like the last reauthorization of the FSB program by the Emergency Unemployment Compensation Extension Act of 1977 (P.L. 95-19), the FSC program would be financed by general revenues and would have no impact on the Unemployment Trust Fund. According to the Congressional Budget Office, FSC would have a cost of $289 million and $562 million in fiscal years 1982 and 1983, respectively, if it is made effective as of July 1, 1982.

(2) Federal Emergency Unemployment Compensation Act (S. 2542)

The Federal Emergency Unemployment Compensation Act (FEUC) (S. 2542) was introduced by Senator Robert Byrd on May 18, 1982 with 23 cosponsors, including Senators Moynihan, Matsunaga and Bradley.

The bill would provide a maximum of 13 weeks of additional benefits to individuals who have exhausted their unemployment compensation in States triggered on the program. A State would trigger on under two conditions: (1) the EB program must be activated; and (2) the national seasonally adjusted total unemployment rate for the second month preceding the month containing the week under consideration must exceed 8 percent. A State would trigger off under either of two conditions with one exception: (1) the State triggers off EB; or (2) the national seasonally adjusted total unemployment rate does not exceed 8 percent for the preceding month. However, some States that are triggered on EB would not trigger off under condition (2) for up to

26 weeks, if for the third week preceding the week in which they would otherwise trigger off FEUC they have insured unemployment rates of at least 5.5 percent. No cost estimate for the bill was available as of July 27.

(3 and 4) S. 798 and S. 2637

On March 25, 1981, Senators Riegle and Levin introduced S. 798, the Emergency Unemployment Compensation Act of 1981. This bill would establish a program of 13 additional weeks of unemployment benefits to be available to individuals who exhaust their entitlement to regular and extended benefits.

S. 2637, the Federal Supplemental Unemployment Assistance Act of 1982, was introduced by Senator Metzenbaum on June 16, 1982. This bill also provides an additional 13 weeks of unemployment benefits for individuals who exhaust their regular and extended benefits.

TABLE 1 Unemployment Compensation Benefits Paid by Program
IN CY71-81 and Administration's Projections FY82-86
(dollars in billions)

Calendar Year	Regular	Extended Benefits	Federal Supplemental Benefits	Total
1971	4.95	0.66	(a)	5.61
1972	4.48	0.48	0.56	5.52
1973	4.01	0.14	0.01	4.17
1974	5.98	0.54	(a)	6.52
1975	11.75	2.49	2.13	16.37
1976	8.97	2.29	2.81	14.07
1977	8.34	1.78	1.25	11.37
1978	8.62	0.71	0.02	9.35
1979	9.26	0.25	(a)	9.51
1980	14.49	1.70	(a)	16.19
1981	14.11	1.30	(a)	15.41

Administration's Projections (February 19, 1982)

Fiscal Year	Regular	Extended Benefits	Federal Supplemental Benefits	Total
1982	19.47	3.22	(a)	22.69
1983	19.24	1.34	(a)	20.58
1984	17.61	0.28	(a)	17.89
1985	16.04	0.12	(a)	16.16
1986	14.77	0.04	(a)	14.81

(a) Program not authorized

Sources: National Commission on Unemployment Compensation, 2nd Rept., July 1979, Chart 2 and Unemployment Insurance Service.

Table 2/ Debt Owed by the Unemployment Trust Fund to the General Fund For Unfunded Unemployment Compensation Outlays
(Dollars in billions)

Fiscal Year	Regular State Programs	Extended and Federal Supplemental Benefits	Total
1972	0	0.2	0.2
1973	0	0 /a	0 /a
1974	0	0.3	0.3
1975	0	1.5	1.5
1976	2.9	6.5	9.4
1977	4.1	8.7	12.8
1978	5.0	8.7	13.7
1979	5.0	7.9	12.9
1980	5.0	7.6	12.6
1981	6.1	7.0	13.1
Administration Projections (February 19, 1982)			
1982	9.4	7.5	16.9
1983	13.9	7.0	20.9
1984	15.9	5.8	21.7
1985	15.8	4.5	20.3
1986	14.4	3.0	17.4
1987	12.5	0.9	13.4

/a Less than $50 million.

Sources: U.S Department of Labor, Unemployment Insurance Service, Division of Actuarial Services and U.S. Department of Treasury, Bureau of Government Financial Operations, Division of Financial Management.

TRIGGER NOTICE NO. 82 - 28

STATE EXTENDED BENEFIT INDICATORS UNDER P.L. 94-566
AS OF July 10, 1982

Number "On": 28		EXTENDED BENEFIT INDICATORS 13-Week IUR	Percent of Prior 2 Years	STATUS OF EXTENDED BENEFIT Periods Beginning Date (B) Ending Date (E)
ON	* ALABAMA	4.89	118	WILL E 7-31-82
ON	ALASKA	6.66	96	B 1-19-75
ON	* ARIZONA	4.00	165	B 7-25-82
	* ARKANSAS	5.03	114	E 7-3-82
ON	CALIFORNIA	4.90	134	B 2-7-82
	COLORADO	2.83	140	E 1-24-81
	CONNECTICUT	3.25	131	E 1-24-81
	* DELAWARE	2.93	100	E 7-17-82
	DIST. OF COLUMBIA	3.55	117	E 1-24-81
	FLORIDA	2.37	142	E 1-24-81
	GEORGIA	3.19	132	E 1-24-81
	HAWAII	3.31	122	E 1-24-81
ON	IDAHO	6.65	139	B 10-18-81
ON	ILLINOIS	5.00	116	B 3-7-82
	INDIANA	4.29	115	E 7-17-82
ON	* IOWA	4.19	144	B 2-14-82
	KANSAS	3.93	161	E 1-24-81
ON	* KENTUCKY	5.42	112	B-6-6-82
ON	LOUISIANA	4.19	148	B 6-27-82
	MAINE	4.31	107	E 7-3-82
ON	MARYLAND	3.96	140	WILL E 7-31-82
	MASSACHUSETTS	3.55	117	E 6-26-82
ON	MICHIGAN	1/ (6.65)	(93)	B 2-28-82
	MINNESOTA	3.76	136	E 7-10-82
ON	MISSISSIPPI	5.41	139	B 1-17-82
	MISSOURI	3.82	98	E 6-19-82
ON	* MONTANA	5.03	128	B 4-11-82
	NEBRASKA	2.60	151	E 1-24-81
ON	* NEVADA	4.26	145	B 2-7-82
	* NEW HAMPSHIRE	2.75	127	E 1-24-81
	NEW JERSEY	4.50	105	E 6-19-82
	NEW MEXICO	3.81	140	E 1-24-81
	NEW YORK	3.60	104	E 1-24-81
ON	NORTH CAROLINA	4.35	159	B 1-31-82
	* NORTH DAKOTA	2.93	120	E 1-24-81
ON	OHIO	5.45	123	B 1-17-82
	OKLAHOMA	2.49	164	E 1-24-81
ON	OREGON	6.85	120	B 3-16-80
ON	PENNSYLVANIA	6.21	132	B 1-24-82
ON	PUERTO RICO	8.54	117	B 2-23-75
ON	RHODE ISLAND	5.74	122	B 1-24-82
ON	SOUTH CAROLINA	5.32	157	B 1-10-82
	* SOUTH DAKOTA	1/ (2.10)	(118)	E 1-24-81
ON	TENNESSEE	4.96	130	B 1-24-82
	TEXAS	1.71	141	E 1-24-81
ON	* UTAH	4.41	152	B 2-28-82
ON	VERMONT	5.10	125	B 2-28-82
	VIRGINIA	2.21	122	E 1-24-81
ON	VIRGIN ISLANDS	4.64	127	B 2-21-82
ON	WASHINGTON	6.31	138	B 7-6-80
ON	WEST VIRGINIA	6.26	102	B 4-18-82
ON	WISCONSIN	5.59	118	B 1-3-82
	* WYOMING	3.35	236	E 1-24-81

* State does not have 5% option in its law
1/ Trigger Indicator as of July 3, 1982

U.S. Department of Labor,ETA,UIS
Division of Actuarial Services
July 26, 1982

PREPARED STATEMENT OF SENATOR DOLE

Today's hearing will focus on extending the duration of unemployment compensation benefits. No one disputes the fact that unemployment is high and that the hardships are great for the unemployed worker and his family. What the Congress must consider, however, is whether or not a full year of unemployment benefits is an appropriate policy at this time. In the longer term, would the establishment of such a program hamper efforts for economic recovery?

Before beginning, I would like to thank our lead-off witness, Senator Robert Byrd, who urged us to schedule a hearing on this important issue. As I explained on the floor during last week's debate on the Finance Committee's Reconciliation Bill—before we act, before we lock the Congress into the enactment of this very expensive program, we should allow the Committee on Finance the opportunity to study the issue. That is why we are here today.

It might be worth noting at the start that unemployment compensation is designed to provide income support during relatively short spells of unemployment. There are times, however, when the duration of unemployment benefits should be increased. This is why we enacted the permanent extended benefits (EB) program.

The EB program "triggers on" during periods of high unemployment on a State-by-State basis. Three extra months (13 weeks) of benefits are payable to persons who continue to be out of work after 6 months (26 weeks) of regular benefits paid under the State unemployment compensation program. That is a total of 9 months of unemployment compensation benefits. In my opinion, that is already a significant responsibility for the Nation's unemployed.

Economic studies have demonstrated that the length of time that claimants collect benefits rises as the available duration of benefits is extended. Obviously, claimants tend to delay serious job search efforts until benefits are nearly exhausted.

The proposed additional 13 weeks of benefits would be financed totally out of general revenues—thereby contributing to the deficit by at least $1 billion in fiscal years 1982 and 1983.

Not only would there be a large Federal budget impact, but costs of the existing unemployment insurance system would rise as claimants receiving regular State benefits delay taking new jobs. State unemployment trust funds are already seriously overburdened. Many are running in the red. The States would be forced to either raise taxes on the employers or borrow from the Federal Treasury to pay the increased cost of the regular and extended benefit programs.

The adverse financial effect of Federal supplemental benefits during the 1970's is further illustrated by the findings of a recent tax foundation study. That study indicated that the extended and supplemental benefit programs added about 30 percent to the costs of the regular program. I would remind my colleagues that the regular State programs are financed totally through taxes on employers in that State.

The experience of the Federal supplemental benefits program of the mid-1970's also demonstrates the fact that the increased claims load and longer availability of benefits kept the State administrative agencies from providing adequate job market services.

We should also consider the effect of the advent of the two wage-earner family and other demographic changes. The insured unemployment rate of 4 percent or 5 percent in the current State triggers no longer represents the emergency that would warrant a costly extension of benefit duration.

In more than half the U.S. households with an unemployed husband, another family member has a job, according to the Labor Department. A recent department study found that a typical autoworker's family income falls comparatively little, from an average of $25,000 to $20,000 a year, when he is laid off; wives or children take jobs and the autoworker receives jobless benefits and other assistance.

Finally, at this point in the economic cycle, the additional weeks of unemployment benefits may be unwarranted. In the 1980-81 winter season, for example, over 150,000 individuals each month were exhausting their unemployment benefits. In the first 3 months this year, extended benefit exhaustions averaged 19,400 each month, levels which do not justify the expenditure of the huge sums estimated by both the CBO and the Department of Labor.

This is clearly an expensive proposal. It should receive careful consideration at the committee level. There are ways to more carefully target additional weeks of benefits and we could even consider fewer weeks of assistance than have been proposed.

I welcome today's witnesses.

PREPARED STATEMENT OF SENATOR JOHN HEINZ

Mr. Chairman, I would like to commend you for holding these hearings on the issue of providing a supplemental program of unemployment compensation benefits. During this time of high unemployment, and recession, more than 630,000 Americans in 31 States are in their final weeks of eligibility for unemployment compensation. About 5 percent of those Americans, nearly 30,000 are in my home State of Pennsylvania. As you know, Mr. Chairman, Senator Moynihan and I will be holding field hearings on this issue in Buffalo and Pittsburgh this weekend. I am grateful for all of your assistance in arranging those hearings.

Mr. Chairman, I firmly believe that an additional 13 weeks of unemployment benefits is a necessary and humane response to the hundreds of thousands of Americans who will soon be losing their eligibility for unemployment compensation, or who have already lost their benefit eligibility. It will also be a reassuring response to the 10.5 million Americans who are unemployed.

Currently, there are two bills before the Senate to extend unemployment benefits for an additional 13 weeks to workers in States qualified for the extended benefits program. Our distinguished colleague, Senator Robert Byrd, who will be testifying here today, has introduced S. 2542. I have introduced S. 2550. The bills are similar, but not identical.

There are a number of bills in the House. Congressman Harold Ford's legislation, H.R. 6369, has been reported by the House Ways and Means Committee. The House Ways and Means Committee has also included the provisions of the Ford legislation in their budget reconciliation bill.

Mr. Chairman, there has been a growing recognition among Senators that this type of legislation is necessary. On May 21, 1982, 42 Senators voted for an additional 13 weeks of unemployment compensation to workers in high unemployment States. On July 22, 1982, 48 Senators supported an amendment to require the Finance Committee to devise a program of 13 additional weeks of unemployment compensation.

I hope that these hearings will contribute to the movement in favor of this legislation.

In 1971, Mr. Chairman, there were 5.1 million unemployed, and the unemployment rate was 5.5 percent. The Congress responded by extending benefits by an additional 13 weeks. In 1974, 6.6 million Americans were unemployed, and the unemployment rate was 7.2 percent. The Congress responded by extending benefits once again for an additional 13 weeks, and, when the recession continued, we passed legislation providing for another 13 weeks—26 weeks of extended benefits, 65 weeks in all. I might add, Mr. Chairman, that all of these extensions were signed by Republican Presidents: [Ford and Nixon.]

Congress has always responded compassionately to the plight of the unemployed. Behind the statistics are the anguished faces of millions of Americans, out of work through no fault of their own, and who want nothing more than to return to productive work—steelworkers, autoworkers, and construction workers; the people whose sweat and muscle have made America great.

Food bills and mortgages, school tuitions and car payments, and doctors' bills and rent continue to come due; but, unfortunately, for many, unemployment compensation is terminated.

It is no consolation to the unemployed in Pennsylvania, or Indiana, or West Virginia to push them onto welfare, because, to qualify, they must sell off their homes, their cars, and deplete their hard earned savings.

It is no response to their plight to say "go to where the jobs are." The simple fact is that older workers and middle-aged workers cannot get a job. The simple fact is that the States where the jobs are don't want the unemployed from our States. Texas has even put out a pamphlet telling unemployed workers from other States that they shouldn't expect any help from Texas when they come South; Texas thinks it has a big problem with their 7 percent unemployment rate.

It is no argument against this legislation to say that it is a work disincentive. In many areas of Pennsylvania, and in other States, there are simply no jobs for people. You can't have a disincentive effect when there are no jobs.

Unemployment will come down with a healthy economy, new investment, and increased job opportunities. Unemployment will come down when this country gets serious about reducing unfair foreign competition, which is devastating our basic industries like steel and autos. Unemployment will come down when we bring interest rates down; and, Mr. Chairman, I think that you will deserve a lot of credit for a drop in interest rates with you dedicated work on the recent tax bill approved by the Senate.

Until unemployment does come down, Mr. Chairman, we will need legislation to help the unemployed workers meet their budgets for food, housing, and medical expenses. It is not waste, fraud, or abuse to provide workers with a minimum standard of living after all they have done for this country.

Mr. Chairman, I will be happy to work with the other members of the Finance Committee to develop amendments to meet their concerns with this legislation. I have no pride of authorship in my legislation, S. 2550; but, I do want to proceed as rapidly as possible with passage of legislation to extend unemployment compensation benefits for an additional 13 weeks.

The CHAIRMAN. As I understand, the Senators from Maryland would like to submit a letter, if that is all right with Senator Byrd, who was scheduled to be the first witness.

STATEMENTS OF SENATORS MATHIAS AND SARBANES FROM MARYLAND

Senator MATHIAS. Thank you, Mr. Chairman. We will be literally 1 minute, and we appreciate both your indulgence and Senator Byrd's patience; but we do have an emergency situation in Maryland, because on the 1st of August, because of the change in the triggering mechanism, unemployment benefits in Maryland will be suspended.

So as the committee today starts its discussion of unemployment benefits, we wanted to be sure that you would be contemplating this particular aspect of the situation. And we do have a letter which we will leave with you.

The CHAIRMAN. Senator Sarbanes?

Senator SARBANES. I want to thank Senator Byrd for his courtesy in allowing us to intrude on his time for a moment or two, and I want to commend you on holding these hearings on the proposals to extend unemployment compensation benefits.

I don't think the importance of that matter can be overstated. But in addition, Senator Mathias and I would like the committee to focus its attention on two changes made last year in the reconciliation with respect to extended benefits.

One, and the one that we think is the most serious, is that you cease to count in the calculation of the insured unemployment rate the people receiving extended benefits. The consequence of that in Maryland, as Senator Mathias said, has been to drop us just barely below the trigger. And it is our view that since the recipients under the extended program reflect severe and continuing unemployment, that dropping them from the calculation of the rate is unwarranted. In effect, you have the ironic situation that those most severely impacted by continuing unemployment cease to be counted for purposes of determining State eligibility for extended benefits. It's almost a catch-22 situation.

We have a letter here and an enclosure from the State head of the Department of Human Resources, setting this out in much greater detail, and we would greatly appreciate it if the committee would include this situation in their considerations.

The CHAIRMAN. I want to thank you, Senators. I have been following this—what is it, four-tenths?

Senator MATHIAS. Four/one-hundredths.

Senator SARBANES. Four/one-hundredths has disqualified the State.

The CHAIRMAN. And I happened to catch the congressional delegation interceding with the Governor. We will certainly receive the letter and see if we can't be of some help.

Senator MATHIAS. Thank you very much, Mr. Chairman.

Senator SARBANES. Thank you.

[The letter follows:]

United States Senate
WASHINGTON, D.C. 20510

July 29, 1982

Honorable Robert Dole
Chairman
Senate Committee on Finance
2227 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

We want to commend you for holding hearings on proposals to extend unemployment compensation benefits. The importance of this matter in light of increasing unemployment and economic hardship cannot be overstated.

In addition to the urgency of considering an emergency supplemental unemployment benefits program we want to bring to your attention a situation in Maryland resulting from provisions in last year's Reconciliation bill which requires the Committee's prompt action. As the enclosed letter from Maryland's Secretary of Human Resources details, as of July 31, 1982, 11,000 unemployed persons will be dropped from the Extended Benefit program because Maryland's Insured Unemployment Rate (IUR) has fallen below the 4% trigger to 3.96%. This drop results from a provision on last year's Reconciliation bill which requires that claims for Extended Benefits no longer be counted in computing the Insured Unemployment Rate (IUR). If this change had not occurred, Maryland's Insured Unemployment Rate would currently be 4.6% and the Extended Benefit program would be in effect. Since the recipients under the extended program reflect severe and continuing unemployment we believe dropping them from the calculation of the IUR is unwarranted. In effect you have the ironic situation that those most severely impacted by continuing unemployment cease to be counted for purposes of determining State eligibility for extended benefits.

Furthermore, the changes contained in last year's Reconciliation bill raised the trigger rate from 4% to 5% effective September 25, 1982 -- an increase which should be re-examined in light of the continuing high unemployment. The tragic consequences resulting from the higher trigger rate and the dropping of the extended beneficiaries in the calculation of the Insured Unemployment Rate must be addressed. We urge the Committee to move to correct this situation.

Sincerely,

Paul Sarbanes

Charles McC. Mathias

Paul S. Sarbanes

Enclosure

DHR DEPARTMENT OF HUMAN RESOURCES
STATE OF MARYLAND 1100 NORTH EUTAW STREET BALTIMORE, MARYLAND 21201

OFFICE OF THE SECRETARY TELEPHONE 383-5528

July 22, 1982

The Honorable Paul S. Sarbanes
United States Senator
United States Senate
2327 Dirksen Building
Washington, D.C. 20510

Dear ~~Senator Sarbanes~~ Paul:

Recent news reports that nearly 11,000 Maryland workers had lost their eligibility for extended unemployment insurance benefits has caused great concern and confusion. The impression created by some newspaper accounts that the State of Maryland was in some way responsible for the loss of Extended Benefits is totally untrue. To the contrary, as you are aware, the loss of benefits is the direct result of changes in federal law enacted by the Reagan Administration and the Congress in the Omnibus Reconciliation Act of 1981.

The Extended Benefits Program provides jobless persons with thirteen weeks of benefits beyond the regular twenty-six (26) weeks period when the State's Insured Unemployment Rate (IUR) exceeds 4%. Maryland's rate has dropped to 3.96%, thereby triggering elimination of Extended Benefits effective July 31. The triggering mechanism for extended benefits, the Insured Unemployment Rate, is computed weekly and represents an average of the prior thirteen weeks claims filed as a percentage of all covered workers in the State.

Prior to the Omnibus Reconciliation Act, States could use total (regular Unemployment Insurance and Extended Benefits) claims filed in computing their IUR. Under the Reconciliation Act, claims filed for Extended Benefits were excluded from the computation. The direct result is that Maryland, despite high general unemployment, has triggered "off" Extended Benefits and nearly 11,000 Marylanders have lost extended benefits and countless other will never receive them. This seemingly small change in a technical portion of the program has had a severe impact on people, with that impacting falling most heavily on those areas that, because of high unemployment, qualified for Extended Benefits in the first place.

Also, prior to enactment of the Omnibus Reconciliation Act, all States were eligible for Extended Benefits if the national IUR rate was 4.5%. The Reconciliation Act eliminated this so-called national trigger. The National IUR rate is currently over 4.5% so if the national trigger were still in effect, all States including Maryland would remain eligible for Extended Benefits, reflecting legitimate aid to States in a time of national economic difficulty.

HARRY HUGHES
Governor

On September 26, 1982 another change mandated by the Omnibus Reconciliation Act will take effect, raising the IUR trigger for each State from 4% to 5%. The 5% will make it even more difficult for many high unemployment States to trigger "on" to the federal Extended Benefits Program. With the support of Governor Hughes, the General Assembly enacted a law effective September 26, 1982, that will pay thirteen weeks of additional benefits with State unemployment insurance funds when the IUR exceeds 4%. However, Maryland is one of only a handful of States which will provide this additional State-financed coverage, and while Maryland has clearly shown this leadership, it is apparent to all of us that unemployment is a product of the national economy and the Extended Benefits Program should be federally funded and uniform across the country.

We want to urge you to work for the repeal of these harsh provisions of the Omnibus Reconciliation Act. We must begin to help the general public and the Congress to understand the hardship being inflicted on working families, who have a right to expect benefits when they face unemployment through no fault of their own. Specifically, we urge you to consider legislation that will ameliorate Maryland's situation:

- repealing the elimination of the national trigger as enacted by the Omnibus Reconciliation Act of 1981;
- counting extended benefits in the computation for triggering "on"; and
- maintaining the IUR trigger at 4%.

We must take action and show national leadership in protecting the rights of unemployed workers in Maryland. We will be glad to provide further information or assist in any way that we can.

Thank you for your consideration.

Sincerely,

Kalman R. Hettleman

James J. Traglia
Executive Director

The CHAIRMAN. Senator Byrd?

Let me say while Senator Byrd is getting ready that we are going to focus today on extending the duration of unemployment compensation benefits.

No one disputes the fact that unemployment is high and that the hardships are great for the unemployed worker and his family. What the Congress must consider, however, is whether or not a full year of unemployment benefits is an appropriate policy at this time.

I want to thank the distinguished Senator from West Virginia for suggesting that we have these hearings. We scheduled them as quickly as we could following a brief discussion we had on the Senate floor. That is essentially why we are here today.

I will also ask that statements by Senators Packwood and Chafee be included in the record. They regret they cannot be here today.

[The prepared statements of Senators Packwood and Chafee follow:]

STATEMENT BY SENATOR BOB PACKWOOD
SENATE FINANCE COMMITTEE HEARING JULY 29, 1982

Mr. Chairman, as the Senate Finance Committee begins its hearing today on whether or not to provide an additional 8-13 weeks unemployment benefits, I think it is very important that this Committee recognize that these additional weeks of benefits may mean the difference between survival and famine for many workers and their families.

A recent survey conducted by the Building and Construction Trades Department of the AFL-CIO found unemployment among their members in my State of Oregon to be devestating. The table below illustrates the magnitude of this problem in three different cities in Oregon.

PORTLAND

1.	Asbestos Workers	50%
2.	Boilermakers	90%
3.	Bricklayers	61%
4.	Carpenters	70%
5.	Cement Masons	33%
6.	Electrical Workers	27%
7.	Elevator Constructors	10%
8.	Iron Workers	35%
9.	Laborers	40%
10.	Operating Engineers	61%
11.	Painters	60%
12.	Plasterers	40%
13.	Plumbers	44%
14.	Roofers	30%
15.	Sheet Metal Workers	34%
16.	Steamfitters	38%

MEDFORD		BEND	
1. Bricklayers	50%	1. Carpenters	78%
2. Carpenters	62%	2. Laborers	80%
3. Laborers	85%	3. Plumbers	75%
4. Operating Engineers	45%		
5. Plasterers	80%		
6. Sheet Metal Workers	33%		

The point that this table underscores is that there are thousands of unemployed workers in my State whose unemployment benefits have either run out or are almost exhausted. This problem, coupled with the fact that the present recession is severely affecting an unemployed individual's ability to survive illustrates why Congress must pass emergency legislation very soon to provide additional unemployment benefits.

With the housing industry in one of its worst recessions ever, and interest rates continuing to soar, Congress must take the initiative to ensure sufficient unemployment benefits are available, particularly in States like mine.

Mr. Chairman, in March, 1982, 9.8 million Americans were unemployed nationwide. One month later, this number jumped to 10.3 million. And, by the end of June, 1982, this number had increased to more than 10.5 million persons.

As a Senator representing a State which has the fifth highest unemployment rate in the nation, I appeal to my colleagues to pass legislation that will provide additional weeks of unemployment benefits, to help thousands of Oregonians avoid going without food or losing their homes.

However, providing additional unemployment benefits is only one step in the right direction. Congress must still face the fact that something needs to be done to put people back to work. As one of the original sponsors of the Lugar housing bill, it is this Senator's belief that this country still needs the kind of shot-in-the-arm that the Lugar bill would have provided.

I only regret that the advisors to the President convinced him to veto earlier legislation that contained the much needed housing bill. Without legislation like it, and additional unemployment benefits, millions of Americans will continue to be plagued by severe unemployment.

Mr. Chairman, there comes a time when we must all make the decision whether to help our unemployed workers, or simply ignore the problem and hope the economy recovers quickly.

This is one Senator who thinks it is time to stop talking about helping the unemployed, and start doing something about it.

STATEMENT BY
SENATOR JOHN H. CHAFEE
BEFORE
SENATE FINANCE COMMITTEE
HEARING ON UNEMPLOYMENT BENEFITS
JULY 29, 1982

I LOOK FORWARD TO TODAY'S TESTIMONY ON THE PROPOSAL TO EXTEND UNEMPLOYMENT BENEFITS FOR CERTAIN UNEMPLOYED WORKERS FOR AN ADDITIONAL THIRTEEN WEEKS. I FAVOR SUCH A MEASURE, AND I HOPE THIS COMMITTEE IS ABLE TO ACT ON LEGISLATION WHICH WOULD ACCOMPLISH THIS END. THE PRECISE TERMS OF THE PROGRAM NEED TO BE WORKED OUT. FOR EXAMPLE, MORE THOUGHT MUST BE GIVEN TO THE CONDITIONS UNDER WHICH STATES COULD QUALIFY FOR PARTICIPATION IN AN ADDITIONAL SUPPLEMENTAL BENEFIT PLAN.

THERE IS, HOWEVER, NO DOUBT ABOUT THE NEED FOR SUCH A PROGRAM. UNEMPLOYMENT HAS REMAINED AT ALARMINGLY HIGH RATES FOR TOO MANY MONTHS. NINE TO TEN PERCENT UNEMPLOYMENT IS SIMPLY NOT ACCEPTABLE. SUCH LEVELS OF UNEMPLOYMENT CAN LEAVE LASTING SCARS AND CAUSE WORKERS TO BECOME CYNICAL ABOUT THEIR CHANCES FOR GETTING AHEAD UNDER OUR ECONOMIC SYSTEM. WE MUST BE CONCERNED ABOUT THE PROBLEM OF WORKERS--PARTICULARLY OLDER WORKERS--WHO, HAVING BEEN UNABLE TO FIND WORK FOR SEVERAL MONTHS, ARE GIVING UP AND BECOMING HOPELESS ABOUT THEIR CHANCES FOR RE-EMPLOYMENT.

ADOPTION OF A SYSTEM WHICH PROVIDES FOR ADDITIONAL UNEMPLOYMENT BENEFITS IS NOT A CURE FOR THE RECESSION. IT IS A HUMANE MEASURE MEANT TO EASE THE PAIN. AS WE WORK TO CONTROL FEDERAL DEFICITS, LOWER INTEREST RATES, AND REVIVE THE ECONOMY, WE CAN REMAIN CONFIDENT THAT WE ARE HELPING TO PROTECT FROM ECONOMIC HARDSHIP MANY OF THOSE WHO ARE BEARING THE EFFECTS OF THE RECESSION.

The CHAIRMAN. We are pleased to hear from the distinguished minority leader.

Senator Heinz?

Senator HEINZ. At the appropriate time I would like a very brief remark.

The CHAIRMAN. Do you want to do it right now?

Senator HEINZ. Yes, if the minority leader would permit, because he and I have been working very hard together to try to get a suitable unemployment compensation solution.

At the outset, Mr. Chairman, I would like to commend you for your very prompt, expeditious holding of these hearings.

We who have served on the Finance Committee have somehow managed to continue our energy level. We have had a few difficult decisions to make, and I'm glad to see that we're not through making them.

I would only observe that as of the end of June there are going to be roughly 630,000 Americans in their last 13 weeks of unemployment benefits. In my State that is roughly 30,000 people. And, as Senator Sarbanes and Senator Mathias suggested a moment ago, those 30,000 people are only the ones we know about; it doesn't include the people who dropped off at the end of their 39th week. There are many steelworkers who dropped off in May, in April, in March, in February, who aren't included in that number. They are without any help at all. They are having to find a way to pay for their mortgages, their food bills, their doctors' bills, without any more help from either the Federal or State government unless they go on welfare, which we don't want them to do. But yet, they may have very little in the way of alternatives.

Mr. Chairman, as you know, Senator Moynihan and I will be holding hearings, field hearings, this weekend in Buffalo and Pittsburgh, and I trust that this will be helpful to the committee.

I am grateful that we are holding hearings on a number of bills, among them my bill, S. 2550. I think we all know that unemployment compensation is not a substitute for jobs. We would like more jobs. We would like to get the people who are out of work back to work. But nobody expects a miracle overnight, no matter how hard we try.

I know this legislation, Mr. Chairman, is controversial. The administration apparently is going to testify that they are not for it. One of the reasons they say they are not for it is that unemployment compensation, they say, is a disincentive to find work. Now, that strikes me as rather fallacious reasoning.

I think the difficulty in finding work when unemployment is around 9 or 10 or in the case of our State 11 percent, the disincentive to finding work is there aren't any jobs. That's the disincentive to finding work. You can't find it.

And to the administration I would point out that in 1971, when we had 5 million unemployed, we extended benefits to 52 weeks. Then in 1974, when we had 6.6 million Americans unemployed, once again we extended benefits to 52 weeks. Then when that recession continued, we extended to 65 weeks. And I would point out to the administration, Mr. Chairman, that every single one of those bills was signed by a Republican President.

Mr. Chairman, in conclusion—I said I would be brief; I will be—I don't think that when unemployment is as high as it is that it is waste or fraud or abuse to give to those who have worked all of their lives for a living some basic decent standard of living. That, to me, is equity—not waste, fraud, or abuse.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Byrd?

STATEMENT OF HON. ROBERT C. BYRD, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator BYRD. Thank you, Mr. Chairman. And thank you for getting the committee hearing started on time. Many committee hearings don't start on time. I'm glad to see that you start this committee hearing on time.

And let me also thank you for having the hearing. As you correctly indicated earlier, we had discussed the necessity for a hearing some time ago, and you gave your assurance that there would be a hearing. And today you are complying with your assurance that there would be a hearing.

I appreciate the opportunity to appear. I also appreciate what has been said by Senator Heinz, whose State is a great deal similar to mine with respect to our unemployment problems, particularly with respect to steel and coal. Both of our States have been hard hit in the steel industry and the coal industry.

I enthusiastically support what Mr. Heinz has said, and I am grateful for his appearance here this morning. He has legislation that will be considered by the committee, and it is somewhat similar to my legislation, I understand.

Since July of last year—almost exactly 6 months from the date on which the current administration took office—our economy has been in what has been called a free fall. The resulting devastation is unparalleled in recent times.

The New York Times in an editorial earlier this week commented that—this is a New York Times editorial—"The rising Reagan tide was supposed to start lifting all boats by April 1981, then by July. Now it's a year after that, and the only thing that's rising is the number of people who have sunk." A sad commentary, but with a great deal of truth in it.

With over 10½ million unemployed persons, there were over 1½ million additional persons so discouraged from failure to find a job that they have just given up looking. Ten and one-half million unemployed! One and a half million discouraged to the extent that they are no longer seeking employment, and between 5 and 6 million who are involuntarily working part time.

The unemployment rate is staggering. In June, 9.5 percent of the workforce was unemployed, the highest rate since before World War II, the highest rate in over 40 years.

If national statistics are dismal, statistics for certain population groups in some of the hardest hit cities and States are cataclysmic. The last State-by-State figures for May show Michigan with 14.3 percent unemployment. Washington State has over 12 percent unemployment; some cities have rates that are above 25 percent, which was the rate of unemployment, give or take a little, during the Great Depression of the 1930's. The current unemployment rate is above 9 percent in the States of a number of members of this committee, including Senators Packwood, Chafee, Heinz, Symms, Long, Bradley, and Mitchell.

In West Virginia the unemployment rate in June as calculated by the U.S. Department of Labor was 12.3 percent. Manufacturing jobs there, in particular, dropped to their lowest point since the Great Depression.

Fortunately, previous Congresses established an unemployment insurance system to provide limited assistance when a worker is unemployed. Some workers have additional assistance provided by their previous employers or unions, but these sources of assistance dry up quickly. In most States regular unemployment compensation is limited to a maximum of 26 weeks. In States with relatively high unemployment, extended benefits are available for an additional 13 weeks.

When the economy is healthy, experience has shown that 26 weeks is sufficient on the average to provide help until those who lose their jobs find new jobs. During relatively brief recessions, extended benefits provide an additional buffer. But these programs are not designed to cope with severe and lengthy recessions. Unquestionably they fall far short of meeting the current need.

When an unemployed worker's benefits are exhausted, a difficult situation often becomes disastrous. People who may have a little savings on hand must decide whether to pay for food or pay the mortgage or rent. They are forced to sell personal possessions. They forego all unessential expenses, sometimes to the extent of foregoing needed medical care for themselves and their children. Ultimately, if they cannot find work, they lose their homes and their automobiles; in some cases they lose their health; and they lose their self-sufficiency, their pride, and their hope. They become truly destitute. This does not happen to every laid-off worker, but it is no exaggeration of what does happen to multitudes of them.

We in the Congress have an obligation to do everything in our power to return our economy to stability. Mr. Chairman, you have correctly stated heretofore that the best way to reduce unemployment is to get the economy moving again; but, until that happens, this Nation and this Congress cannot sit by and allow millions of Americans to exhaust all available unemployment benefits when there is no realistic possibility that most of them can find jobs.

As this committee knows, during each of the past two most recent serious recessions, and as has already been referred to by Senator Heinz, the Congress established an additional tier of unemployment benefits for those who have exhausted both their regular and their extended benefits. In 1971 such a supplemental program was established when there were 5½ million unemployed, and the unemployment rate was 5.5 percent. In 1974 the Congress again established such a program when the rate reached 7.2 percent and 6.6 million persons were out of work. According to any objective criterion, the recession today is far more severe than were either of those recessions. Nearly 4 million more persons are out of work than in 1974 when the last supplemental program was implemented.

I think it is imperative that we take a similar step today to throw out at least a temporary lifeline to the victims of our economic shipwreck. With 21 cosponsors, I introduced legislation to do this on May 18. It was my intention to offer this legislation as an amendment to one of the bills we had before the Senate; but on the strength of your statement that your committee would be holding hearings I did not offer that bill, feeling that this is the preferred procedure, so that the committee, which has jurisdiction over such legislation, can give its attention and the benefit of its expertise—which is far greater than mine in this field—to a thoughtful and constructive piece of legislation.

I should say that benefits under my bill will be available to those in high unemployment States which have exhausted both regular and extended benefits. The program will terminate when the national unemployment rate drops below 8 percent.

During this period when reducing the deficit is such a difficult but important task, proposing any program that will require additional expenditures can be done only with serious concern. But our budget dilemma does not remove Government's obligations to the people of the United States. In fact, in some crucial respects those obligations are heightened by the very recession that has been such a major contributor to our budgetary imbalance.

The supplemental benefits program proposed by my legislation addresses one of these fundamental obligations, and I believe it does so in a fully responsible manner. The Congressional Budget Office estimates the implementation of S. 2542, which is the bill that I introduced, will cost $627 million during fiscal year 1983 and $260 million as it phases out in 1984. From these totals, C.B.O. subtracts approximately $75 million in fiscal year 1983 and $30 million in 1984 for expected offsetting savings in AFDC and food stamps. Consequently, the total 2-year net cost is estimated to be approximately $780 million. I don't believe this is more than the Federal Government can afford for this purpose under these circumstances, if our priorities are in the right place.

In conclusion, I must stress how important I believe it is for this committee to act rapidly on this legislation so that it can be enacted promptly. The committee may wish to modify it in some respects, that is a part of the committee process; but I think that rapid movement is imperative. We must not fail to aid those who have been caught in the vise of economic forces they cannot control while we try to loosen the vise. Ten and a half million people and their families are not expendable.

I wish to thank you again, Mr. Chairman, and the members of your committee, for the opportunity to present these comments today. I urge the committee to move swiftly to report the legislation which so many need so badly and for which they patiently but hopefully wait.

That concludes my statement.

[The prepared statement of Senator Robert C. Byrd follows:]

PREPARED STATEMENT OF SENATOR ROBERT C. BYRD OF WEST VIRGINIA

MR. CHAIRMAN AND MEMBERS:

SINCE JULY OF LAST YEAR -- ALMOST EXACTLY SIX MONTHS FROM THE DATE ON WHICH THE CURRENT ADMINISTRATION TOOK OFFICE -- OUR ECONOMY HAS BEEN IN WHAT HAS BEEN CALLED A "FREE FALL". THE RESULTING DEVASTATION IS UNPARALLELED IN RECENT TIMES.

THE NEW YORK TIMES IN AN EDITORIAL EARLIER THIS WEEK COMMENTED THAT "THE RISING REAGAN TIDE WAS SUPPOSED TO START LIFTING ALL BOATS BY APRIL, 1981, THEN BY JULY. NOW IT'S A YEAR AFTER THAT, AND THE ONLY THING THAT'S RISING IS THE NUMBER OF PEOPLE WHO HAVE SUNK." A SAD COMMENTARY, BUT IT IS ALL TOO ACCURATE.

THIS BRINGS ME TO THE CENTRAL POINT OF TODAY'S HEARING. IN MOST TRAGEDIES -- AND OUR CURRENT ECONOMIC SITUATION SURELY IS A TRAGEDY -- THERE ARE SOME VICTIMS WHOSE SUFFERING IS GREATER THAN THAT OF OTHERS -- THOSE WHO, IN THE WORDS OF THE TIMES, "HAVE SUNK". IN THIS RECESSION, THAT SAD DISTINCTION BELONGS TO THE UNEMPLOYED.

THE NUMBERS OF UNEMPLOYED PERSONS ARE SIMPLY STAGGERING. THE LABOR DEPARTMENT'S LATEST FIGURES, FOR JUNE, SHOW OVER TEN

AND ONE-HALF MILLION UNEMPLOYED PERSONS! There were over 1.5 MILLION additional persons so discouraged from failure to find a job that they have just given up looking. Beyond these are yet additional hundreds of thousands who have been forced to work part time.

The unemployment rate is equally staggering. In June, 9.5 percent of the work force was unemployed -- the highest rate since before World War II -- the highest rate in over 40 years!!

If national statistics are dismal, statistics for certain population groups and some of the hardest hit cities and states are cataclysmic. The last state-by-state figures, for May, show Michigan with 14.3 percent unemployment. Washington state has 12.3 percent. Some cities have rates above 25 percent. The current unemployment rate is above nine percent in the states of a number of the members of this Committee, including Senators Packwood, Chafee, Heinz, Symms, Long, Bradley, and Mitchell.

In my own state of West Virginia I regret to say that the unemployment rate in June, as calculated by the U. S. Department of Labor, was 12.3 percent. Manufacturing jobs there, in particular, dropped to their lowest point since the Great Depression.

Fortunately, previous Congresses established an unemployment insurance system to provide limited assistance when a

WORKER IS UNEMPLOYED. SOME WORKERS HAVE ADDITIONAL ASSISTANCE PROVIDED BY THEIR PREVIOUS EMPLOYERS OR UNIONS. BUT THESE SOURCES OF ASSISTANCE DRY UP QUICKLY. IN MOST STATES REGULAR UNEMPLOYMENT COMPENSATION IS LIMITED TO A MAXIMUM OF 26 WEEKS. IN STATES WITH RELATIVELY HIGH UNEMPLOYMENT, EXTENDED BENEFITS ARE AVAILABLE FOR AN ADDITIONAL 13 WEEKS.

WHEN THE ECONOMY IS HEALTHY, EXPERIENCE HAS SHOWN THAT 26 WEEKS IS SUFFICIENT ON AVERAGE TO PROVIDE HELP UNTIL THOSE WHO LOST THEIR JOBS FIND NEW ONES. DURING RELATIVELY BRIEF RECESSIONS, EXTENDED BENEFITS PROVIDE AN ADDITIONAL BUFFER. BUT THESE PROGRAMS ARE NOT DESIGNED TO COPE WITH SEVERE AND LENGTHY RECESSIONS. UNQUESTIONABLY THEY FALL FAR SHORT OF MEETING THE CURRENT NEED.

WHEN AN UNEMPLOYED WORKER'S BENEFITS ARE EXHAUSTED, A DIFFICULT SITUATION OFTEN BECOMES DISASTEROUS. PEOPLE MUST DECIDE WHETHER TO PAY FOR FOOD OR PAY THE MORTGAGE OR RENT. THEY ARE FORCED TO SELL PERSONAL POSSESSIONS. THEY FOREGO ALL UNESSENTIAL EXPENSES, INCLUDING NEEDED MEDICAL CARE FOR THEMSELVES AND THEIR CHILDREN. ULTIMATELY, IF THEY CANNOT FIND WORK, THEY LOSE THEIR HOMES AND THEIR AUTOMOBILES; IN SOME CASES THEY LOSE THEIR HEALTH; AND THEY LOSE THEIR SELF-SUFFICIENCY, PRIDE, AND HOPE: THEY BECOME TRULY DESTITUTE. THANK GOD THIS DOES NOT HAPPEN TO EVERY LAID OFF WORKER. BUT THIS IS NO EXAGGERATION OF WHAT HAPPENS TO MULTITUDES OF THEM.

We in the Congress have an obligation to do everything in our power to return our economy to stability. Mr. Chairman, you correctly stated in your announcement of this hearing that, and I quote, "the best way to reduce unemployment is to get the economy moving again". But until that happens, this nation -- this Congress -- cannot sit by and allow millions of Americans to exhaust all available unemployment benefits when there is no realistic possibility that most of them can find jobs.

As this Committee knows, during each of the past two most serious recessions, the Congress established an additional tier of unemployment benefits for those who exhausted both regular and extended benefits. In 1971 such a supplemental program was established when there were 5.1 million unemployed, and the unemployment rate was 5.5 percent. In 1974, the Congress again established such a program when the rate reached 7.2 percent and 6.6 million persons were out of work. According to any objective criterion the recession today is far more severe than were either of these. Nearly 4 million more people are out of work than in 1974 when the last supplemental program was implemented.

I believe it is imperative that we take a similar step today -- to throw out at least a temporary lifeline to the victims of our economic shipwreck. With 21 original cosponsors I introduced legislation to do this on May 18. Benefits under my bill will be available to those in high unemployment states who have exhausted both regular and extended benefits. The program

WILL TERMINATE WHEN THE NATIONAL UNEMPLOYMENT RATE DROPS BELOW 8 PERCENT.

DURING THIS PERIOD WHEN REDUCING THE DEFICIT IS SUCH A DIFFICULT BUT IMPORTANT TASK, PROPOSING ANY PROGRAM THAT WILL REQUIRE ADDITIONAL EXPENDITURES CAN BE DONE ONLY WITH SERIOUS CONCERN. BUT OUR BUDGET DILEMMA DOES NOT REMOVE GOVERNMENT'S OBLIGATIONS TO THE PEOPLE OF THE UNITED STATES; IN FACT, IN SOME CRUCIAL RESPECTS, THOSE OBLIGATIONS ARE HEIGHTENED BY THE VERY RECESSION THAT HAS BEEN SUCH A MAJOR CONTRIBUTOR TO OUR BUDGETARY IMBALANCE.

THE SUPPLEMENTAL BENEFITS PROGRAM MY LEGISLATION PROPOSES ADDRESSES ONE OF THESE FUNDAMENTAL OBLIGATIONS. I BELIEVE IT DOES SO IN A FULLY RESPONSIBLE MANNER. THE CONGRESSIONAL BUDGET OFFICE ESTIMATES IMPLEMENTATION OF S. 2542 WILL COST $627 MILLION DURING FY 1983 AND $260 MILLION AS IT PHASES OUT IN 1984. FROM THESE TOTALS, C.B.O. SUBTRACTS APPROXIMATELY $75 MILLION IN FY 1983 AND $30 MILLION IN 1984 FOR EXPECTED OFFSETTING SAVINGS IN AFDC AND FOOD STAMPS. CONSEQUENTLY, THE TOTAL TWO-YEAR NET COST IS ESTIMATED TO BE APPROXIMATELY $780 MILLION. I DO NOT BELIEVE THIS IS MORE THAN THE FEDERAL GOVERNMENT CAN AFFORD FOR THIS PURPOSE -- IF OUR PRIORITIES ARE IN THE RIGHT PLACE.

IN CONCLUSION, I MUST STRESS HOW IMPORTANT I BELIEVE IT IS FOR THIS COMMITTEE TO ACT RAPIDLY ON THIS LEGISLATION SO IT CAN BE ENACTED PROMPTLY. THE COMMITTEE MAY WISH TO MODIFY IT IN SOME RESPECTS; THAT IS A PART OF THE COMMITTEE PROCESS. BUT

RAPID MOVEMENT IS IMPERATIVE. MY BILL HAS SAT IDLE IN THIS COMMITTEE FOR OVER TWO MONTHS -- WHILE APPROXIMATELY 300,000 PERSONS HAVE EXHAUSTED THEIR EXTENDED BENEFITS.

WE MUST NOT FAIL TO AID THOSE WHO HAVE BEEN CAUGHT IN THE VISE OF ECONOMIC FORCES THEY CANNOT CONTROL WHILE WE TRY TO LOOSEN THE VISE. 10.5 MILLION PEOPLE AND THEIR FAMILIES ARE NOT EXPENDABLE!

I WISH TO THANK CHAIRMAN DOLE AND THE MEMBERS OF THE COMMITTEE FOR THE OPPORTUNITY TO PRESENT THESE COMMENTS TODAY. I URGE YOU TO MOVE SWIFTLY TO REPORT THIS LEGISLATION WHICH SO MANY NEED SO BADLY AND SO HOPEFULLY AWAIT.

The CHAIRMAN. Thank you very much, Senator Byrd.

There may be an opportunity to address this problem very quickly, because the House Ways and Means proposal may be a part of what we will be discussing in the conference on the revenue and spending-reduction measure passed by the Senate last week. We hope to have our first conference, since the House voted to go to conference last night, sometime today or tomorrow morning. It may be that we can work out some agreement, with or without the administration's support.

The House Ways and Means proposal does pay for the program by lowering the threshold for taxation of unemployment compensation benefits. I'm not certain what your views are on that. The Ways and Means Committee does try to pay for the cost—about $560 million I think is the cost of their program, about the same estimate as yours—in that fashion. But, as you indicated, we can make changes, we can modify it, and we hope to be able to work out something.

Senator BYRD. As I understand it, Mr. Chairman, from the way I read the newspapers, the House plans to go to conference on the Senate bill. Would it therefore have, before the conference, the House reconciliation bill which, as you have stated, included the compensation item?

The CHAIRMAN. I guess we get into a matter of the question of scope, but we are going to be addressing those this afternoon. It seems to me it might be something we could consider, that if there were a separate vote on the House floor it would prevail.

Very well.

Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman, and thank you very much, Senator Byrd, for your statement.

I very much commend you for what you are doing here. I would like also to commend you for pointing out that the problem is more that the jobs are unavailable than it is that people aren't looking for jobs.

I sometimes hear criticism of unemployment compensation extensions to the effect that, "Well, there are jobs there but men and women are just not out looking for them." As we know, that is not a valid point at all, because figures show that today for every job that is available in the United States there are 9 to 10 people looking for that job. And that's a trend that has been developing in the last 20 years. For example, in the late 1960's the unemployment rates were about 3½ to about 4 percent, and there were about an equal number of jobs available for people looking for jobs. In the 1970's, for every one job that was available there were four to five people looking for jobs, and unemployment rates in that decade were about 6 percent. Today the unemployment rates are around 9 to 10 percent, and an eminent economist has determined that for every 1 job available there are 10 people looking for work.

So the problem we face, fundamentally, is that there just are not enough jobs available. In the meantime, people who are out of work, and who are out of work through no fault of their own, are looking in vain.

I commend you very much on the effort you are making to help those people who are out of work.

The CHAIRMAN. Thank you, Senator Baucus. I would venture to say that it is not as much consolation to a steelworker in Weirton to note in the advertisements in the Washington Post that there are jobs available for a cellular immunologist, even though that Weirton steelworker might be willing to move to Washington. So there is the problem of the steelworker who doesn't have the skills to fill the jobs that are listed in the employment sections of the Washington Post, or the New York Times, or whatever.

Senator Heinz?

Senator HEINZ. Mr. Chairman, I want to commend our distinguished minority leader, my friend from West Virginia, Senator Byrd, for his support. His bill, S. 2542, and my bill, S. 2550, are very, very similar, just a few minor differences on the ending date, as to how long the program would continue.

One of the issues that was brought to our attention earlier by Senator Mathias, Senator Sarbanes, and others, which we have known as a concern is the problem of triggering off. I see Senator Levin and Senator Riegle of Michigan. It has one of the highest unemployment rates, of course, in the country, and they are triggering off of unemployment benefits.

Do you have any comments you would care to address to the issue of how we handle the insured unemployment rate on the trigger?

Senator BYRD. Well, I will only say that in my State I don't think this pertains to our situation. But I think it is unfortunate that—I guess it was in the reconciliation bill of a year ago—that this new mechanism was put into effect. I think that it works against States that are in that unfortunate position, and I think it is wrong.

I would hope that the Congress would take steps in due time to rectify what I think was a step in the wrong direction. My legislation doesn't do that. I didn't feel that that was the responsibility of my legislation to do that. I feel that is in the province of the committee, though, to consider this matter.

Senator HEINZ. I thank the Chair.

The CHAIRMAN. Senator Long?

Senator LONG. No questions.

The CHAIRMAN. Thank you very much, Senator Byrd. We appreciate not only your being here but, as I indicated earlier, your suggesting that we address this very important problem, and we have tried to do that as quickly as we could schedule the hearing.

Senator BYRD. Well, again, thank you, Mr. Dole, and I thank Mr. Baucus for his observations, and those of Mr. Heinz. I am confident this committee will act with dispatch, and I will work with the majority leader in every way that I can to see that the action is prompt on the floor once the legislation is reported.

Thank you.

Senator HEINZ. Mr. Chairman, while our next witnesses are coming may I just simply state that I have to go and open a hearing at 10. I will be back. It is through no lack of interest in this subject, but our International Trade Subcommittee is having a hearing on agricultural embargoes, a subject of not inconsiderable interest to the chairman of this committee and I imagine many other members as well.

The **Chairman**. Well, I appreciate that. Put in a statement for me.

Senator **Heinz**. It won't be hard, Mr. Chairman.

The **Chairman**. Now we have Senator Metzenbaum, Senator Levin, and Senator Riegle. You may proceed in any way you wish.

Senator **Metzenbaum**. These fellows are too liberal for me. [Laughter.]

The **Chairman**. Who is appearing in opposition to the bill?

Senator **Riegle**. Mr. Chairman, perhaps what we can do is, when we each testify we can change chairs so that each member will be seated in front of the microphones here.

STATEMENT OF HON. DONALD W. RIEGLE, JR., U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator **Riegle**. First, let me say, how much I appreciate your willingness to conduct this hearing today. I think this is a critical issue. There are a number of issues before the Congress that are occupying us, but to find the time for this hearing with a conference on the tax bill underway is a very important step on your part, and I appreciate it, and the workers of my State appreciate it.

The scale of the recession, which in some respects is turning into a depression in certain sectors of the country, certain sectors of the economy, is now so severe that it is essential that we extend the unemployment benefits program for an additional 13 weeks.

I have legislation before the committee, as do other members; but I want to just quickly indicate how severe this problem has become.

In the State of Michigan, we now have had unemployment above 10 percent for 32 consecutive months. We have well over 750,000 people unemployed, an increasing number that have exhausted their unemployment benefits, and, as you know, are not even counted in the statistics any longer once they have fallen off the end of the unemployment compensation system. Many have left the State to try to find work in Texas in the Sun Belt, or in other areas of the country. Many have had to come back because they have not been able to find jobs.

As other witnesses have said, we have 10½ million people unemployed in the country today, so there are literally not the jobs elsewhere to be found. Unemployed workers who have exhausted their benefits are finding themselves increasingly in desperate circumstances. We are finding more and more unemployed workers and their families losing their homes, losing their cars, clearly losing hope. Families are breaking up, people are being forced onto the public welfare system.

In the State of Michigan, the State itself has been flirting with running out of money. It has had to implement the most extreme measures just to try to cope with the effect of the recession.

As these workers exhaust their unemployment compensation, exhaust their savings, and have to turn to public welfare, the institutions of the State are being strained right to their outer limits in terms of their capacity to respond.

The record shows that in the past in this country, under Presidents of either party—and I have served here under five, and the

Senator who is the chairman has served under more than that—every other time in our history when we have had a recession as bad as this one and where unemployment has gotten this high, we have had administrations and the Congress respond by triggering on an additional 13 weeks of unemployment compensation benefits. We have just done it as a matter of course. And, as a matter of fact, we have done it in the past when the unemployment problem has been less severe than it is at the present time.

I think we ought to look at what we've done before, and we ought to respond this time to a problem that is even worse than those that we've seen previously. In fact, you've got to go back to 1939 to find the level of unemployment in this country that we have today, as we meet here this minute in this committee room.

I would hope, as well, in terms of responding to extending the time period, that you would take a look at the number of folks who are exhausting their benefits.

For example, in Michigan in March, we had 2,000 people exhaust their unemployment benefits under the present system. In April that jumped up from 2,000 to 8,500. In May it jumped up again to 13,700, and in June, the most recent month for which we have data, it jumped up to 24,250. We are on a rising curve of individuals who are caught in this situation; and that's why a Federal supplemental benefits program is needed in the most immediate sense in our State, and I think increasingly in a number of other States.

Finally, we also have a problem with an increasing number of States having incurred large deficits by having to borrow to pay unemployment compensation benefits. And as those loans accumulate, the possible penalties and the interest that is due on those will be a further handicap to our States.

I would hope, as you try to work with this—and I have great regard for your skill as a legislative craftsman, Mr. Chairman—I would hope, because I genuinely believe that you can understand the magnitude of the human problem and the suffering here, that a way can be found to deal with this.

I hope, with your leadership and others on both sides of the aisle supporting you, we can get some action here, and get it now before more lives are ruined, and this country suffers a kind of permanent damage that could be avoided.

I thank the committee.

[The prepared statement of Senator Riegle follows:]

PREPARED STATEMENT OF SENATOR DONALD W. RIEGLE, JR.

Mr. Chairman:

I welcome this opportunity to appear before this Committee to testify on the need for an extension of unemployment compensation benefits.

For over a year, our nation has grappled with a deepening recession which has colored and shaped every aspect of American life. For over a year, we have had massive unemployment, high interest rates and a growing sense of vulnerability among our working and unemployed citizens. Unemployment, in particular, touches every aspect of family and community, spreading a malaise that affects the very social fabric of our lives.

What has been a recession for the rest of this country has been an ever deepening depression for my State of Michigan. We have been weathering the most violent economic storm since the the thirties. For over 30 months, we have sustained continuous double digit unemployment currently running at 14.4 percent. For over two years, we have continually had the highest unemployment rate of the 50 states. There has been no state in our country which has felt the impact of our recession as Michigan has.

Unemployment statistics themselves offer little insight into the lives of workers strained to the breaking point by long-term unemployment. Sometimes when I hear about the unemployment statistics and compensation mechanism, I feel that we are engaging in word games that mask the true meaning of unemployment for our workers. Michigan has long been a highly industrialized state with a strong industrial base. We are proud of our state and its contributions to the national economy. Our workers are proud and often highly skilled workers, eager for meaningful employment. Yet many of them are facing protracted unemployment for the first time in their lives. I have visited the unemployment lines in Michigan and I have learned that these workers, for the most part, have lost their jobs -- their livelihood -- through no fault of their own. The work ethic is an integral part of the very fabric of the lives of these workers and many of these workers appear to be in a state of shock or disbelief over their current straits. In my travels through Michigan, I have yet to meet an unemployed worker who would rather not be at work.

For these workers, the prospect of unemployment can truly be devastating. After their unemployment check runs out, they have no place to turn -- not even to welfare for some. These workers who will be the core of our economic recovery have earned and deserve our attention. I am frankly worried that in these tough times, when we are so concerned about balancing the budget on Capitol Hill, that we tend to forget that we are dealing with real people, their families and whole communities. The effects of long-term unemployment can lead to so many problems, heightened family tensions, higher divorce rates, increased suicide rates and juvenile delinquency.

Unemployment compensation helps to sustain hope in these clouded times. It extends to our working men and women a vital support mechanism that eases the effects of our current economic policies and enables them to make a more orderly transition to meaningful employment. And it helps to sustain the economic base of the communities in which they live. Without unemployment compensation, the experience of long-term unemployment can be physically and mentally debilitating, and the ability of our workforce to assume job responsibilities can be seriously undermined.

It can hardly be disputed that the length of a temporary period of unemployment increases with a severe deterioration in economic conditions. This, of course, is the underlying rationale for our permanent extended benefit system, as well as the rationale for establishing Federal Supplemental Benefits at the height of our last two most serious national recessions. Yet this recession is far worse than the last two most serious national recessions in which an FSB program was instituted. The national unemployment rate stands at 9.5 percent -- more than two percentage points higher than the 1974 rate of 7.2 percent when an FSB program was instituted and four percentage points higher than the 1971 unemployment rate of 5.5 percent when a similar program was instituted.

The current recession has reached the stage where thousands of workers are exhausting their unemployment benefits. Without a FSB program, thousands of unemployed workers will be expected to weather the duration of the recession without financial resources. Thousands of our unemployed workforce are now being forced onto our state welfare systems which may not have adequate resources available to them to assume this new burden.

The unemployment situation in Michigan has reached a state of emergency. We are at a critical point. The number of extended unemployment compensation benefit recipients who have exhausted benefits is increasing exponentially. In March, the number of workers who had exhausted benefits was 2,000, in April, 8,500, in May 13,700 and in June, 24,250. The need for a Federal Supplemental Benefits program in Michigan is immediate and it is now. In the absence of such a program, these workers will face the prospect of deep financial and in many cases, emotional trouble.

The State of Michigan faces an increasing demand for social services at the very time that the continuing severe economic crisis has eroded the ability of our social services system to respond. The number of AFDC cases due to loss of employment or exhaustion of unemployment benefits has increased in Michigan from 23,375 in May of 1980 to 41,406 in May of this year. Meanwhile the Federal contribution to programs created and designed to meet the needs of individuals and families in severe economic distress, including Aid to Families with Dependent Children, Food Stamps. Medicare-Medicaid, child nutrition, child abuse prevention, alcoholism and drug abuse treatment services -- have experienced drastic reductions under the Reagan Administration, ranging from 25 to 50 percent. There is a real question of the extent to which Michigan can long sustain such an increasing burden to its social services system.

Mr. Chairman, the vast number of these social services recipients should properly be covered by our unemployment compensation system. Because of the depth and length of our recession, these are really members of our workforce temporarily affected by long-term unemployment. They are precisely the individuals for whom the FSB programs have traditionally been instituted in the past. These are individuals who will become an active part of our workforce when our long-sought economic recovery arrives. I believe that it is highly improper and demeaning to force these long-term unemployed onto the welfare rolls.

I urge the members of this Committee to act quickly in establishing a Federal Supplemental Benefits program now. The need is immediate and urgent. I know that you have several bills currently pending before the Committee. I would recommend that any measure that the Committee ultimately adopts contain certain indispensible components. First, it should establish a minimum period of 13 weeks of benefits for our long-termed unemployed. Second, it should contain a carefully designed and realistic triggering mechanism. States with extraordinarily high unemployment, such as my own, should qualify for such a program regardless of what their temporary Insured Unemployment Rate is. Finally, it should be Federally financed, as every previous FSB program has been.

I would also urge the Committee, in acting on an FSB program, to take some action to alleviate some of the weaknesses in the Unemployment Compensation System that this period of sustained unemployment has revealed. First, and foremost, we must address the problem of the triggering mechanism for extended benefits. The changes made by the Budget Reconciliation Act of last year in the way that the triggering mechanism is calcuated have produced some egregious and tragic consequences. In my State of Michigan, for example, the extended benefits program triggered on initially in October of 1979. It remained in effect until November 7, 1981, when the program triggered off as a direct result of the change in the calculation of the insured unemployment rate. For thirteen weeks, while Michigan had the highest unemployment rate in the country, the unemployed persons in my State were no longer eligible for extended benefits because of this technical change in the law. The extended benefits program is a mockery if it is unavailable in a State with an unemployment rate as high as mine was for that period. I would urge you to restore the pre-Reconciliation Act trigger and IUR calculation provisions.

Secondly, some action must be taken to alleviate the penalty provisions of the Federal Unemployment Tax Act relating to employers in States with outstanding loan balances, and to relieve loan repayment and interest requirements for States having a high unemployment rate. If the full FUTA tax penalty and debt repayment requirements of current law are unleashed on Michigan at this time, it could severely hamper our ability to recover from our current economic depression. I commend these additional problems to the attention of Committee members and urge their consideration of bills S. 2014 and S. 2047 which I have introduced, which are designed to address these problems.

Mr. Chairman, I commend you and the members of the Committee for this first step in redressing our critical unemployment compensation situation. I cannot understate the urgency and the need for immediate action on these issues at this time. I firmly believe that the actions that you take will have a lasting impact on future generations. Our nation may be forced to deal with the consequences of this recession for many years. You have the opportunity before you to greatly alleviate the damage done by the current recession and to help to speed our economic recovery.

The **CHAIRMAN**. Senator Levin, do you want to go by State here?

Senator **LEVIN**. It doesn't make any difference. Why doesn't Howard go next?

Senator **METZENBAUM**. Wasn't that the shell game where you had to——

The **CHAIRMAN**. None of the mikes work. We just put them out there for show.

Senator **LEVIN**. We've got peas under each shell.

STATEMENT OF HON. HOWARD M. METZENBAUM, U.S. SENATOR FROM THE STATE OF OHIO

Senator **METZENBAUM**. Mr. Chairman, I commend you for holding this hearing today. You indicated while we were discussing the tax bill that you had every intent of doing so.

The **CHAIRMAN**. I might say, at that point, that was a very close vote on your amendment. What was it, 48 to 47?

Senator **METZENBAUM**. It was 48 to 49. And I paid particularly close attention, that had I gotten the chairman's vote I would have prevailed.

The **CHAIRMAN**. And we wouldn't have had to have these hearings.

Senator **METZENBAUM**. As a matter of fact, as the chairman knows, in a couple of instances had he not gotten my vote he would not have prevailed. So I thought he was going to go with me on this one. But, you win some, you lose some.

On the question of winning some and losing some, it is interesting that this morning's paper reports a Gallup poll indicating that the President's lowest rating in connection with handling any particular subject has to do with his handling of problems of unemployment in this country. By an 81 to 8 percent negative rating the people of this country feel it is not being adequately handled.

Frankly, Mr. Chairman, when you ask people what's the most important problem facing the country at the moment, it is unemployment.

I conducted hearings recently in Columbus, and I found people who have been working 17 and 18 years and are now unemployed. They thought they were moving along to a point in society where they were making payments on a home, and they were paying off their car, and they thought their children were going to go to college. And now they are looking forward to a future that is totally concerned with: What happens tomorrow? Are they going to lose their home?

I sat in a meeting with the Vice President of the United States and two wives of unemployed steelworkers from Ohio. And they said to him:

> Mr. Vice President, in the past the American dream was to be able to own your own home and to own your own automobile. Today, Mr. Vice President, the American dream is to be able to hold on to the home that we own and the auto that we own. And we are concerned that we are not able to do it.

Now, 13 weeks of increased unemployment benefits will not solve the problem; but, if the President and others are right, that maybe we are bottoming out and there may be an upturn, then it would provide that income making it possible to carry people over, to save their homes and save their autos, and to pay their real estate taxes. I can't think of anything that this Congress could do that would be more meaningful, more of a signal to the American people that there is compassion and concern, and that we care, than extending unemployment benefits an additional 13 weeks.

We have so many challenging problems in this Congress as to where we find the necessary wherewithal to do that which has to be done. And, as you know, Mr. Chairman, I have publicly commended you for moving forward in connection with the tax bill, for attempting to close some of the tax loopholes. But at the same time that I commend you for doing that which you did, I would also be very frank in saying that there is so much more out there that is escaping the Internal Revenue Service, so many dollars that are being lost in the tax loopholes that still exist.

When I hear people talk about being at a cliff and this economy being ready to fall off, and I hear people saying that from major investment banking firms, and I hear people of all sorts saying that including U.S. Senators of your party saying that very thing, then I say, "Can't we do something?"

The chairman was very innovative in his thinking this evening. When he found that he lost on one amendment, he immediately found a way to supplement those dollars with another.

This would be costly—it is a fact. But in the long run, every 1 percent increase to unemployment costs us $25 billion. I believe, instead of just sending people to the welfare roles, instead of sending them to a world of nothing, to an economy of distress, that we would be doing so much more if we would say, "This won't solve the problem. We'd really rather put you back to work, because that's the real answer. But if we can't put you back to work, please understand that Congress cares, Congress is concerned, Congress has compassion, and we are going to try to do something to carry you over this period by extending unemployment benefits an additional 13 weeks." It would mean a lot to the unemployed of this country.

I thank you, Mr. Chairman.

[The prepared statement of Senator Metzenbaum follows:]

PREPARED STATEMENT OF SENATOR HOWARD M. METZENBAUM

Mr. Chairman and members of the committee, thank you for giving me the opportunity to testify on the urgent need for supplemental unemployment benefits.

Last month, I introduced S. 2637, The Federal Supplemental Unemployment Assistance Act of 1982. This bill would provide an additional 13 weeks of unemployment compensation to jobless Americans who have exhausted their eligibility for regular and extended benefits.

Today, approximately 2 million people have exhausted their regular unemployment benefits and extended benefits. These are workers who have paid into the system—the same hard-working people that Ronald Reagan described during his presidential campaign as America's unsung heroes and heroines.

Last month, in Columbus, Ohio, I heard the stories of some of those who have exhausted their benefits.

People with 17 and 18 years of seniority are on the street without hope of being called back to work. Men and women are watching their cars and homes being repossessed.

Parents are being forced to abandon their dream of higher education for their children.

Others cannot meet the payments for the basic utilities.

People who never before thought that they would be forced to turn to welfare, are finding after they apply that they are not qualified.

These are people who have played by the rules. They have paid their taxes and worked hard all their lives without asking for assistance. And now that they need the help of the Federal government, it is not forthcoming.

In fact, the response of the Congress and the administration to the plight of the long-term unemployed has been the reverse of what is needed.

With 10 million Americans out of work, this Congress and this administration have virtually eliminated Trade Readjustment Assistance and CETA. And the Congress and the Administration have changed the formula that triggers extended benefits by not counting the men and women already in the extended benefits program, thereby making it harder for states to qualify for extra assistance. As a result, Indiana with an unemployment rate of 11.4 percent, along with Massachusetts, Delaware, Minnesota, Arkansas, Maine, New Jersey, and Missouri are not on the extended benefits program. This change has affected over 80,000 people in these States alone.

And finally, this Congress and this administration have tightened the eligibility for welfare and food stamps which has made it even harder for those who have exhausted their benefits to receive assistance of any sort.

My bill would provide assistance to people who urgently need it.

I believe that every American who has exhausted extended unemployment benefits should be eligible for an additional 13 weeks of unemployment benefits. Ideally, I would like to see every unemployed worker receive these additional benefits. But the budget reality is that there are limited funds to finance additional benefits of any kind. A choice may have to be made as to which workers will receive supplemental benefits. My bill offers the committee a fair solution.

My bill limits eligibility for additional benefits, to individuals in States which have unemployment rates in excess of 10 percent. An unemployed worker in Texas suffers just as much as an unemployed worker in Michigan. But the fact is that States which have above average unemployment rates are the States with the least capacity to assist the unemployed with their own resources. It is these States which suffer the largest declines in their tax base, and the greatest demands on their social and welfare agencies.

Providing additional weeks of compensation is not a novel response to periods of high levels of unemployment. The temporary, emergency Federal supplemental benefits program was originally authorized by the Emergency Unemployment Compensation Act of 1971, which expired on September 30, 1972. In 1974, the program was reauthorized and continued to provide supplemental benefits through January 1978. It is needed once again in 1982.

Mr. Chairman, the economic conditions which we face today are even more severe than those which existed when Congress provided a supplemental benfits program in 1974.

Unemployment is higher: 5.3 percent in 1974, 9.5 percent today.

The total number of unemployed workers is higher: 4.8 million in 1974, 10.4 million today.

Home mortgage delinquencies are at a record high: at the end of 1974, 800,000 home mortgages were delinquent; in the first 6 months of this year, 1.5 million homeowners have fallen more than 30 days behind with the mortgage payments.

Business failures are at record levels: 9,915 in 1974, and 12,672 already this year.

Mr. Chairman, last week the Senate spoke to this issue, narrowly defeating an amendment that I offered to the Tax Bill, by a vote of 48-49. This amendment provided that the additional $6.7 billion that is to be collected from increased FUTA taxes in the next three years would not become effective unless Congress enacted a supplemental benefits program. I believe that this vote indicates that substantial support exists in the Senate for action to assist the 2 million Americans who have exhausted their unemployment benefits.

The CHAIRMAN. I appreciate very much your testimony. I am not certain we will be able to address this in the conference, but we may. I'll have to explore that. We have our first meeting today, and we've got all kinds of scope problems because there isn't any House version. And I haven't yet heard the administration testify. But it is a problem that I think should be addressed as quickly as we can. It might even make the final passage of the tax bill more attractive to some.

Senator **Metzenbaum**. Mr. Chairman, I will say to you that if you will increase unemployment benefits 13 weeks—I voted against the tax bill originally, but if you will increase unemployment benefits 13 weeks I would consider that a meaningful enough gesture that I would be prepared to vote for the conference committee report.

The **Chairman**. That is very tempting.

Senator **Metzenbaum**. You may need me.

The **Chairman**. Senator Levin?

STATEMENT OF HON. CARL LEVIN, U.S. SENATOR, STATE OF MICHIGAN

Senator **Levin**. Mr. Chairman, first let me thank you and the other members of the committee for holding these hearings on a very, very critical matter. You have such high respect around this institution that I think your own decision on this matter is going to be of great weight.

To a significant extent, because of the high regard in which you are held, I think the fate of this program rests with you. All I can do is reiterate what my colleagues have said, the tremendously high regard and respect in which we hold the chairman and other members of this committee.

Mr. Chairman, this hearing and these bills offer a ray of hope in an otherwise desperate situation. In my State of Michigan, for instance, 14½ percent unemployment, 750,000 people out of work, the unemployment rate in Michigan would have to drop 5 percent just to match the level of the national average. We have endured over 30 months of double digit unemployment. Since January of this year about 50,000 people in Michigan alone have exhausted their unemployment compensation benefits. That would even be higher but for an aberration which resulted from last year's reconciliation conference.

For us this is a very human issue. It is not just statistics, it is not just 750,000 people unemployed, 50,000 people exhausting their benefits. Our auto workers, our steelworkers, people in small business, people working in the lumber mills, housing industry are bleeding, and they are desperate. Simply asking them to vote with their feet and to tramp the interstates looking for work in the South and the West, where it doesn't exist anyway, is just asking for human suffering and social disruption, and that's what comes from uprooting families and uprooting communities.

It is just absolutely right that Government offer a hand in this situation to help people through this very, very difficult period.

Nationally the problem is becoming also much worse. The statistics are available to this committee, and I'm not going to reiterate them now. But let me say this: we have had two prior experiences with supplemental unemployment compensation. In both instances, in 1971 and 1974, we had significantly lower levels of unemployment nationally than we do now. And now we have a 9.5-percent level of unemployment. In 1974 we had 7.2 percent, over 2 percentage points lower, and yet we did institute a supplemental unemployment compensation program; and in 1971 it was 5½ percent—just about half of what it is now—and yet we instituted a supplemental unemployment compensation program in 1971. So we have good precedent for this program in circumstances which were even less pressing than the current circumstances.

One final point, Mr. Chairman, on a matter that we have spoken about personally. This relates to the question of the debt of a number of States to that national fund. This is a matter which is also going to be in conference because it's in the Ways and Means Committee bill. And I have also discussed this matter with other members of this committee, as I know my colleagues have. We have a massive debt to this fund. We need a delay in the repayment of the principal and a delay in interest on new loans. We are not asking for a gift, we are not asking for a waiver, what we are asking for is a delay, and we desperately need it because we are at the bottom. Our State cannot afford now, of all times, to be repaying these loans and to be paying interest on new loans.

This is a most desperate circumstance we are in. It is an issue, again, on which we have had a number of discussions both on the floor and personally, and I do hope that the chairman and other members of this committee will find a way in that conference to find a way to accommodate themselves to this need.

There is a way of doing it without great expense to the Federal Government which offers a little bit of hope to our State and to other States if they find themselves in the predicament that we find in terms of this large debt to the Unemployment Compensation Fund.

Again, I want to thank the chairman for his leadership, for the sensitivity that he has shown throughout this matter, and to other members of the committee who have shown also so much interest in this problem.

[The prepared statement of Senator Levin follows:]

PREPARED STATEMENT OF SENATOR CARL LEVIN

Mr. Chairman:

I want to thank the Committee for giving me this opportunity to testify on the issue of re-establishing a federal supplemental benefits program, which would provide an additional 13 weeks of unemployment compensation benefits beyond the 39 weeks provided under current law.

With nationwide unemployment reaching the highest rate since 1941, and with some economists predicting that it soon may reach 10%, a federal supplemental benefits program is a matter of urgent national policy. Although the Administration still clings to the hope of a strong recovery by the end of the year, there is even a stronger likelihood that high interest rates will stunt this recovery after it barely gets off the ground. Most economists are concerned that high interest rates will prevent the capital expansion and investment which are essential if the consumer led recovery is going to be transformed from an upward blip to a period of sustained economic growth. The result will probably be that many of yesterday's unemployed and today's unemployed will be tomorrow's unemployed as well. On a national level, this is the case for re-establishing a federal supplemental benefits program.

Furthermore, what is true for the nation is substantially magnified when we are speaking about my home state of Michigan, which has the highest unemployment rate in the nation. The tragic fact is that the unemployment rate in Michigan has to drop almost another five percentage points before it "improves" enough to match the level of the national recession.

People in Michigan have endured over 30 consecutive months of double digit unemployment. Since January of this year, over ~~10,000~~ 48,000 people in Michigan have exhausted their extended benefits, which provided coverage for weeks 26 through 39 of unemployment. The only reason why the number is not higher is that Michigan was ineligible for extended benefits until March of this year because of the perverse effects of a formula change in last year's reconciliation bill.

For me, this is a very human issue. My state is bleeding. The auto workers are bleeding, the steelworkers are bleeding, the people who work in small business, the lumber mills, the housing industry -- all are bleeding. Asking people to vote with their feet ignores the human suffering and social disruption which comes from uprooting a family and leaving a community. It is totally right that government offer them a hand to keep their lives intact in their own state when federal policies helped to create the unemployment in the first place, and when current national policies consciously accept unemployment as a weapon against inflation.

But, although the pain is most accute in Michigan, this is, as I have said, a national problem. In May of this year, 134,000 people exhausted their extended benefits. To put this in perspective, this is a 41% increase in the number of exhaustees compared to May of 1981. Of even more concern than the numbers themselves is the trend. In January of 1982, 9,000 people exhausted their benefits. By March the number had grown to 38,000, and to 134,000 in May.

These people who have exhausted their benefits are looking at a bleak future, certainly in the near term. Even if the recovery started on July 1, the fact is that employers extend the hours of current workers before hiring new workers. For economists, this helps to explain why the unemployment rate is a "lagging indicator" of economic recovery. But for the workers who have gone through their regular unemployment benefits, gone through their extended benefits, and gone through their savings, a "lagging indicator" is only an academic word for "desperation."

What we are advocating is not an unprecedented solution. In the 1970's a similar program was instituted twice, in 1971 and 1974. If there is any difference between now and then it is one which argues that the current need for federal supplemental benefits is even greater than before. In 1971, the unemployment rate was 5.5%. In 1974, it was 7.2%. Now it is 9.5%, which represents a 31% increase over the 1974 level and a 72% increase over the 1971 level. What logic dictates that when the need for action is greater, the momentum for action should be less?

I urge the Committee to act as soon as possible to re-establish a federal supplemental benefits program. From our perspective in the Congress, one week in the legislative calendar often blends into the next. But from the standpoint of unemployed workers who've exhausted their benefits, one week of uncertainty only hides the next week of despair.

The CHAIRMAN. Let me say, first of all, I appreciate your calling my attention to the interest problem. I want to thank the Labor Department for their help in giving us some options. We could almost assure you we could take care of that in the conference. It is in the House Ways and Means reconciliation package. You indicate that there isn't any significant revenue loss. I think it's what?

Senator LEVIN. $70 million, I believe.

The CHAIRMAN. $70 million over 3 years?

Senator LEVIN. Somewhere between 40 and 70 as to how we compute it in the first year.

The CHAIRMAN. Right.

So, I appreciate your calling that to our attention. I might also say the Governor of Michigan is in town today, Governor Milliken, and he wants to visit about the very things you have testified about, plus the interest problem. We are trying to work out a time to see him later on today.

Well, I have no questions. We are going to try to address this problem.

Are the Senators here? No.

One problem we have is how we are going to pay for it. We may be looking at the way the Ways and Means Committee has approached it, and that's taxing benefits by lowering the threshold. I'm not certain whether you support or oppose that, but that may be one area we will have to look to to find a way to pay for the extended benefits.

Senator LEVIN. I happen to think it's the least best alternative, but better than nothing, is what I would say. It's a desperate way to solve a desperate problem. I would think there are better ways and hope that the chairman would consider other ways as well as that one.

The CHAIRMAN. There may be other ways. This is one that is probably going to be raised in the conference.

Senator RIEGLE. There was a lead story in yesterday's newspapers, as you know, where the President and the administration have decided to not abide by the spending ceilings on the defense budget in the outyears, and apparently the theory is that there doesn't have to be a limit. I think the amount of money we are talking about here is not that large, but we are talking about a very urgent problem, and we are talking about people in this country able to work, who want to work, who are desperate to go back to work—there are no jobs.

I think we have an obligation to respond. I think that's why we have a Government, is to be in a position to respond to emergency situations.

I think when the signal is going out that there are other priorities in the budget that can be accommodated, that one as urgent as this and as real as this, for as many people as this involves, can also be accommodated.

The CHAIRMAN. I don't share the view that we ought to go back and put in all the defense increases. I don't want to have to raise taxes again next year. Once is enough for that.

Senator METZENBAUM. You did so well at it this year, Mr. Chairman.

The **CHAIRMAN**. If I wanted to make a career out of that, it would be a short career.

Senator **METZENBAUM**. You'd become an expert.

The **CHAIRMAN**. Senator Boren?

Senator **BOREN**. I just wanted to ask one quick question. And I wanted to say, Mr. Chairman, I'm glad you made the comment about trying to help on this interest problem, because I think that is very important, and I think that is something that we should try to help on. I'm glad to hear you make that comment. I have discussed it with Senator Levin and Senator Riegle and others in the past, and I know they have a very legitimate, very unique problem. It's not a matter of the kinds of controls that we will put on in this committee in the past in trying to prevent States that were not making reforms and other things from getting interest-free loans, but this is such a unique situation that I think it deserves special treatment.

I would just like to ask one question. In terms of adding additional weeks in supplemental unemployment benefits, have you given any thought to the possibility that we could tie—since there is a push for a jobs program and for retraining programs—has there been any thought that we might be able to somehow, perhaps not in this emergency stop-gap sort of approach, but try to begin toward blending a jobs and retraining program in with any kind of extension of benefits beyond the 39 weeks? In other words, a participation. Such programs might become a condition for applying additional benefits beyond the 39 weeks.

Do you just have any general comments about the possibility of that or the advisability of at least seriously considering that kind of approach?

Senator **RIEGLE**. I have an immediate thought, Senator, and that is that there are thousands of people in my State right now who are eager to take retraining. They will go into any kind of a program that might be available to them. The problem is that there are very few programs. I mean, the Government is not responding in this way. Even the free enterprise zones, which were put forward 2 years ago as a concept, as a way to try to create jobs and try to bring people into the work force who had been left out, and so forth. There have been no requests for money for that from the administration. There are no proposals for the Congress to go forward with that. But I can just tell you this: We could fill this room, we could fill this building with unemployed people in Michigan who have lost their jobs, who are prepared to go into retraining programs, who want to get back on track, who want to go back to work. But there has been absolutely no request for funds or no sign from the Office of Management and Budget that they are prepared to spend 1 cent for that kind of innovative approach or that way of trying to go out and deal with some of this structural unemployment that is piling up.

But I think those ideas should be explored. We ought to have an emergency task force that would work on that right now in the areas of the greatest unemployment.

You heard last night as we did in the press conference: there is no sense of urgency in this administration on these problems.

Senator **Boren**. Well, I appreciate your comments. I hope maybe a lot of us can begin to look at that and blend in with some kind of condition of continuing to receive, say, extended benefits, willingness to participate in a program if we can get funding for such a program.

Senator **Levin**. I would like to comment on that. I think it is an extremely valuable suggestion, and I think it should be looked at. If there is any practical way of linking them, I think it ought to be linked.

I don't know of anybody who would not love to be retrained if there is an available job. And I think that that suggestion that we expand the amount of retraining that is available for people is just great. I don't think linking it represents a problem, providing of course someone can, as a practical matter, get to such a retraining program.

I would like to add one other comment. I want to thank you for your comments and for your sensitivity. The members of this committee have shown a great willingness to look at the problems of unemployment. I see Senator Long sitting over there, and I know how sensitive he has been, literally, over all the years I have been here and I know for decades before, to these problems. Senator Long has also been very much involved in discussions on how we can solve some of the problems of the hardest-hit States without breaking the Federal budget. I want to thank him for his sensitivity over the years to this, and I look forward to continuing to work with him. I know that he has been always very constructive in this. Today he is sitting there kind of quietly, but he has played a very, very important role in the considerations which I hope will lead to some relief in the next week for States like Michigan which have these huge debts to the Unemployment Compensation Fund.

Senator **Heinz**. Senator Long?

Senator **Long**. Well, since you mentioned my name, let me just say that when we have a lot of people out of work, as we do now especially in Michigan, to me it is inconceivable why we would not initiate a major program to do things that need to be done in any case.

One of our great nationwide magazines—I'm not sure which one—has a very interesting article that I just saw in the cloakroom yesterday. This article points out that there is an utterly fantastic backlog of work that is needed on the interstate highway system alone. I'm fearful to even mention this figure that seems to strike my mind. It is something like a trillion dollars of work out there. That's a trillion dollars. I'm not talking about a million. I didn't say a billion. A trillion—a thousand billion dollars of work needed to be done on our transportation system alone. There's enough work right there to put all of the unemployed people in America to work just on the backlog of what's needed to make our transportation system what it ought to be.

Either this same article or another spoke of the fact that in our cities, especially those that have been here for a long time, such as New York, there is all sorts of work that needs to be done to modernize their water systems their sewage systems——

Senator **Metzenbaum**. Urban bridges.

Senator LONG [continuing]. The bridges, subways. But also, there is all kinds of work that needs to be done on the inner cities, because they are decaying very badly.

Railroads have deferred maintenance for years, and they need to be brought up to modern requirements. People haven't been able to buy housing in this country. Some of us voted to improve the housing situation, I think the polls are going to show, if they haven't already shown it, that the public overwhelmingly approves of what the Congress did to try to get the housing market going again.

Now, if we would just do those things, which have the overwhelming support of the American people, we could put most of these people to work.

As I told the two Senators from Michigan here, I am personally willing to do whatever it might take to help Michigan, because the unemployment hits harder there than anywhere. I would be willing to vote to help Michigan far ahead of Louisiana in this case, because Michigan is suffering a lot more than we are.

But if we just look at our Nation's needs, we can provide a lot of jobs. And while I am for providing aid for a temporary emergency, with a lot of people out of work, a lot of this unemployment is going to be with us for some time to come. I don't think you can regain all of those jobs in the automobile industry. So we are going to have to provide additional jobs, and I don't know how better to do it than to get on with the task of modernizing America, in the areas that we have discussed here, and providing more adequately for the housing needs of our people. If we do that, it won't be so much of a problem. I think most of you would agree with me, and I will just ask you if you do agree with this, that between the two choices it is far better to put these people to work than just to pay unemployment benefits.

Now, if we can't put them to work, I'd be the first to agree, yes, we do have a burden to see that able-bodied people who seek nothing more than an opportunity to make an honest living are not required to starve because there are no jobs available.

I think we have the choice either to make the employment opportunities available or to find some way of taking care of the people who want to work but have no jobs. Wouldn't you agree with me that the employment ought to take precedence? Employment doing useful things!

Senator METZENBAUM. Absolutely.

Senator LONG. I, for the life of me, don't understand. We've got a big backlog of public works that the Congress has authorized, that we think ought to be done, and we are going to build over a period of time. Why are we slowing it down? Why don't we get on with it?

Senator RIEGLE. And especially with unemployment increasing. It's going higher.

Senator LONG. That's the point I had in mind.

Now, if you have some other priority that moves ahead of this, I'd be willing to say yes, let's take care of that first. But where you don't have the priority, and you have all these idle people, why don't we provide the employment opportunity first? To me, that would make better sense.

Senator LEVIN. I think we couldn't agree more, and I think that's also the thrust of Senator Boren's point, which is that we could link retraining with these benefits so that we can get people employed again. That's the point. We want people employed. They want to work. The greatest insult of all to an unemployed person is to say they don't want to work. That's the most offensive thing they can hear, and it's so untrue.

Senator LONG. Frankly, that begins to give me some second thoughts about this balanced budget amendment that we have up in the Senate right now. If the Nation's need is such, and the suffering of our people is such that a majority of the Congress is willing to take the burden of saying, "Yes, we are in a depression." And then if the President agrees that we are in a depression, it seems to me that in that situation we shouldn't have to have a balanced budget before we can go to the aid of suffering people in this country. We shouldn't have to be showing a profit to aid those who are suffering in America.

Senator RIEGLE. I wonder if I might just make one additional comment to Senator Boren.

I had the opportunity recently in Michigan to meet with a group of unemployed workers who have taken retraining along the lines of the idea that you have described. I talked with a younger woman who was a single parent, has a 10-year-old daughter who was with her as we were meeting in a group of other unemployed workers and talking about their situations.

She was a secretary, was laid off, she went and took an extensive program to become a welder and is now a certified welder. She can find no work as a welder.

Now, if we had a program to rebuild bridges or do other things in this country, there would be work for welders, for this particular person and presumably thousands of others. But you should know that there are an increasing number of people in this country who have gone through retraining programs, who have spent all the money they had to get through retraining, and are still sitting on the sidelines because we've got 10½ million people out of work.

So we have a fundamental problem of rising unemployment which all of these ideas can help; but in the meantime, I think we need the additional 13 weeks so people can continue to feed their children, make their critical payments on utility bills and house bills—until we can find some way to get this economy moving.

Senator BOREN. I agree very much with what you've said, and I certainly understand that retraining alone is not going to be enough. I think what Senator Long has said has a lot of merit to it.

You know, when we look back, that's the reason I think it's very interesting if we can find a way of blending the additional unemployment payments in with a retraining and jobs program—jobs as well as a retraining program. I think we could greatly cut the cost of it.

When we look back, my experience as Governor with, for example, the CETA program was that there were a lot of people who ended up on the CETA program—particularly down with some of the units of government—we tried very hard to change the guidelines, but a lot of times people got those jobs not because they had been out of work for a certain period of time or were desperately looking for jobs, and so on. A lot of times they got it because they were somebody's cousin or somebody's political friend, and so on and so forth. But if you could tie jobs with a retraining program, if you retrained and there weren't jobs you could serve some of the public needs. As Senator Long said, some of the facilities that we badly need, put people to work on them, and tie it right back into those who truly had been searching for work for 39-plus weeks, who were involved, who qualify for extended benefits, and make sure that the positions in a jobs program and a retraining program are first given to those people who have been out of work this length of time—not hand it off to someone's political friends or something else, that you tie that right in directly, with qualifications set through the unemployment system; I think that could have a lot of merit and could do a lot of good for the country. Also, it would mean we could do something like this at much lower cost than perhaps we have done these kinds of things in the past where we have not so carefully targeted them to the people who are in the most desperate circumstances.

I think we have the threads here of something we could draw together and really make work. I hope we can, because I know, I have had 3 people move into my immediate neighborhood, in my home town of 10,000 in Oklahoma, from Michigan in the last 6 months. These are people who have desperately been looking for work and have come there. Now, as I just said a while ago, with the dramatic slowdown in the oil industry which attracted a lot of these people there, now they are out of work again, and they are off on a wild goose chase around the country searching for jobs, and those jobs are drying up even in areas that have been thought to be prosperous in the past.

Senator LEVIN. Tell them we hope someday we will have work for them again in Michigan.

Senator BOREN. I'll tell them.

Mr. Chairman, thank you again.

Senator BAUCUS. Mr. Chairman, I think Senator Boren and Senator Long and the rest of us are on to something. In fact, I am surprised that there isn't more urgency here in the Congress toward tying retraining to benefit programs.

I think all of us have the feeling that we don't want only to extend benefits indefinitely. We realize the problem is there aren't enough jobs, and also, where there are some jobs available that we have to fit the workers to the jobs.

I urge all of us as members of this body to come together and work more quickly, more urgently, to find some program, some idea, so that we do tie those together, because I think it's critical. I think we are all going in that direction. I'm just trying to encourage us to move more quickly in that direction.

Senator LEVIN. The unemployed want to work. They will welcome retraining if there are available jobs. They want to work.

I agree with you and Senator Boren and Senator Long.

Senator BAUCUS. At another level, too, I want to thank Senator Riegle for drawing out the human dimension of this problem.

I have talked to grade school teachers in my State who tell me they don't have to look at unemployment figures; they don't have to know how many people in their communities are unemployed; they only need to look at the children in their schools. They can tell by the looks on the faces of the children and by other signs of abuses that the children are suffering—high absenteeism, high alcoholism rates. It's very tragic, just to see what is happening to the kids alone in communities where there are high unemployment rates. So there is that level of suffering too, in addition to no jobs, lower income, et cetera.

Senator **Riegle**. Senator Baucus, I agree with your statement about a need for a greater sense of urgency. That takes an act of this Government. It takes a government that is willing to respond.

Some months ago Senator Heinz and I collaborated to bring forward an initiative for free enterprise zones. There are other versions; we happened to have one that we think is the best of the lot. But unless there is a willingness by the whole Government—by the Office of Management and Budget, by the administration, and others—to fund these programs, to not only decide that they are necessary but to get behind them and to push for them, we won't have any free enterprise zones in this country—which is an idea of this administration, which has bipartisan support.

And on the job training, retraining, linking it directly to jobs that would exist, so that people could go out of the training program and into a real job, that's a terrific idea. I would love to vote for that today. But it is going to take some active effort by government and some spending by government. It is going to take spending some modest amount of money to get these programs going. And it's time that we spent that money.

Senator **Metzenbaum**. Senator Baucus, I will bring the matter to the attention of Senator Quayle, who is the chairman of the subcommittee on this subject, and on which I am the ranking minority member. I think that the comments of so many members of this Finance Committee on that subject may provide an impetus to move forward and see if we can't develop something.

I would hope that the extension of unemployment benefit in the interim would not be delayed pending resolution of that, because as Senator Riegle points out there will be some cost factors involved. But I think it does provide a good base on which to attempt to get some congressional movement, and it's obvious that it is going to have to have support from the other side of the aisle if it is to move forward in this Congress.

Senator **Baucus**. I appreciate your comments. I think we can learn a lot from other countries who have done this, Germany, for example, and Sweden. A lot of European countries are moving in this direction. We don't have a monopoly on good ideas in this country, and we can learn from others as well.

Thank you.

Senator **Metzenbaum**. Thank you very much.

Senator **Riegle**. Thank you.

Senator **Levin**. Thank you.

Senator **Heinz**. Our next witness is the Honorable John Cogan, Assistant Secretary for Policy, Evaluation and Research of the Department of Labor.

STATEMENT OF HON. JOHN COGAN, ASSISTANT SECRETARY FOR POLICY, EVALUATION AND RESEARCH, U.S. DEPARTMENT OF LABOR

Mr. COGAN. Mr. Chairman and members of the committee, I welcome the opportunity to testify.

I have with me my colleagues: on my right, Bert Lewis, Administrator of the Labor Department's Office of Employment Security; on my left, Jim Van Erden, Chief Actuary for the Labor Department's unemployment insurance service program.

The committee is currently considering three bills: S. 2542, S. 2637, and S. 2550, each of which would establish a temporary Federal supplemental unemployment compensation program. Although the particulars of the three bills differ, they all have one essential provision in common: Extending the duration of unemployment insurance benefits beyond the current maximum of 39 weeks. Rather than discussing each bill in terms of its particular provisions, I will concentrate on this common provision.

I fully recognize the circumstances that have led to the introduction of these bills. The prolonged recession has resulted in many individuals exhausting their entitlements to regular and extended benefit unemployment insurance payments.

Exhaustions of extended benefits increased between April and May, and the June figures will no doubt show a further increase. No one can trivialize the impact that this has had on the individuals affected.

Unemployment is one of the most difficult human and economic problems this country faces; but this realization should not prevent us from considering the cost and consequences of extending benefits durations.

The proposed programs are inequitable because they are not targeted toward those who stand in greatest need. In addition, the timing of the extension of benefits is wrong with respect to the current state of the business cycle.

Finally, the costs of the proposed programs are high in both financial and human terms. Based on these considerations, the administration strongly opposed any of the currently proposed extensions of unemployment insurance benefit durations at this time. I would like to elaborate on our reasoning.

The first reason for opposing these bills is that the benefits of the proposed programs are inequitable. They are not targeted on the truly needy. Data on the demographic and economic characteristics of those who are currently exhausting benefits are not available; however, we do know the characteristics of benefit recipients under the Federal supplemental benefit of FSB program that was in effect from 1975 to 1978. The group eligible for FSB was similar to those who would be eligible for the proposed programs.

Our studies of the FSB program reveal that the program provided benefits to a wide range of individuals. Some of the recipients truly needed the cash assistance to help them through a prolonged period of unemployment, but many did not. To illustrate:

About 33 percent of recipients has household incomes, excluding FSB benefits, below the poverty line. But more than 40 percent of recipients had household incomes more than twice the poverty line, and 20 percent had household incomes of more than three times the poverty line. For reference, the poverty line for a family of four was about $10,000 when expressed in 1981 dollars.

This high level of family income was due mainly to the fact that two-thirds of all FSB recipients had at least one other earner in the household.

Furthermore, contrary to the popular belief that most benefits go to families with children, our studies indicate that the majority of recipients were not in families with children.

Mr. Chairman, we are in the process of preparing a more detailed summary of the characteristics of FSB recipients. Would the chairman keep the record open until our work is completed? We expect to be done sometime at the end of this week.

The CHAIRMAN. Yes.

Mr. COGAN. Thank you , Mr. Chairman.

[The summary follows:]

John F. Cogan
July 30, 1982

Supplemental Unemployment Benefits: Characteristics of Recipients and Effects

The Department of Labor, as mandated by Congress, has funded several studies of the characteristics of those who received benefits under the Federal Supplemental Benefits (FSB) Program that was in effect from 1975 to 1978. The group eligible for FSB was similar to those who would be eligible for the proposed supplemental compensation. These studies also examined the labor market effects of supplemental compensation. They were carried out by Mathematica Policy Research, and were based on nationally representative sample surveys. The study reports have been carefully reviewed. Findings are based on sound methodology, and are consistent with the academic literature on the effects of unemployment compensation.

The following is a summary of our main results.

FSB recipients had the following demographic characteristics:

- 48 percent of the male recipients were either older than 55 or younger than age 25.

- 47 percent were females.

- Only 30 percent were in families with children under the age of 16 in the household, and over one-third of these were females with a husband present.

- Only one in every seven recipients was a male head of household with children in the home.

FSB recipients had the following economic characteristics:

- Only one in every three recipients had no other earner in the household.

- Three out of every four of the married female recipients had an employed husband in the household and 40 percent of the married male recipients had an employed wife in the household.

- Family incomes of recipients varied considerably. Only about one-third had incomes (excluding FSB benefits) below the poverty line. However, about 40 percent had annual family incomes of more than twice the poverty line and close to 20 percent had incomes of more than three times the poverty line. The poverty line for a family of four was about $10,000 in 1981 dollars.

FSB recipients had the following labor force participation characteristics:

- Many recipients had only a marginal attachment to the labor force prior to the 1974-75 recession. In the three years preceding the spell of unemployment that led to the receipt of FSB payments, they worked only about two-thirds of the time on average.

- 50 percent of FSB recipients went on to exhaust their benefits. Following exhaustion 25 percent found employment within 4 weeks.

- About a fourth of FSB exhaustees dropped out of the labor force; most of these had retired.

For two reasons, FSB probably had a negative effect on the business cycle, rather than the positive effect intended. First, it takes time for unemployed individuals to exhaust regular UI in extended benefits before they become eligible for supplemental benefits. As a result, most FSB recipients received payments not during the recession but after it. Secondly, Congress enacted the program very late in the cycle. It went into effect in January of 1975, but very few claims were filed before the official bottom of the cycle in March 1976.

- 83 percent of all first payments to FSB recipients were made later than three months after the bottom of the 1974-75 recession.

- These observations hold true also for beneficiaries of the Extended Benefit program. The 1980 recession spanned the first six months of the year. However, only 23 percent of all first payments under the Extended Benefit program that year were made during the first six months. The rest were made after the recession had ended.

Demographic Characteristics

Female and older claimants are more likely to exhaust their regular UI benefits and therefore to receive supplemental payments. This can be seen from the figures in Table 1. Almost half of the recipients of FSB were female and close to half of the males were either under the age of 25 or over age 54. Thus, only 27 percent of the recipients were prime-age males.

TABLE 1

FSB Recipients

	Male	Female
Age		
Under 25	25%	17%
25-34	25%	26%
35-44	13%	18%
45-54	14%	19%
55-64	14%	13%
65+	9%	8%
Total	100%	100%
Average Age	39	40
Race		
White	83%	87%
Black and Other	17%	13%
Total	100%	100%
Weighted Sample Size	3579	3236

Source: A Study of Recipients of Federal Supplemental Benefits and Special Unemployment Assistance, Vol II: Supplemental Appendices, Mathematica Policy Research, October 30, 1976, Table 6.1.

Household Income

The FSB program was inefficiently targeted; a substantial amount of benefits went to the nonpoor. As seen in Table 2, only about one-third of recipients had incomes, excluding FSB benefits, below the poverty line. About 40 percent of recipients had incomes of more than twice the poverty line and close to 20 percent had incomes of more than three times the poverty line. The poverty line for a family of four was about $10,000 in 1981 dollars.

Mathematica also examined the extent to which other income security programs would have provided protection to exhaustees of extended benefits in the absence of FSB. They found that most families receiving FSB would not have been eligible for any means-tested benefits program except food stamps, because their levels of income and assets exceeded eligibility thresholds. Percentages eligible for transfer programs are shown in Table 3.

Household incomes of recipients were maintained largely by the earnings of the spouse or other family members. Table 4 shows that transfer programs, including regular and extended UI payments and FSB, accounted for about 30% of the household income of male recipients and about 20% of the household income of female recipients.

Table 2

Distribution of FSB households by size of 1975 income relative to poverty, threshold, for selected measures of income[1]

Ratio of income to poverty line[2]	Income excluding FSB	Income including FSB
0.0-0.5	13.2 pct	6.2 pct
0.5-1.0	19.3	16.7
1.0-1.5	15.0	17.4
1.5-2.0	13.2	14.5
2.0-3.0	19.7	21.5
3.0-4.0	9.9	12.5
4.0 and over	9.6	11.3
Total	100 pct	100 pct.
Weighted sample size	6,769	6,805

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[1] These income figures exclude the bonus value of food stamps.

[2] If a ratio of income to the poverty line, calculated to several decimal points, equalled the end point of specified range, that observation was assigned to the lower category.

Source: "Extending Benefits During Recessions: Lessons From the FSB Experience," Walter Corson and Walter Nicholson. Unemployment Compensation: Studies and Research, Vol. 1 National Commission on Unemployment Compensation, July 1980, pp. 127-161, Table 9.

Table 3

Percentages of FSB households eligible for selected transfer programs if unemployment compensation had not been available

Transfer programs	FSB recipients
AFDC/AFDC-U	
Categorically eligible	
AFDC regular	5.4 pct
AFDC-U	10.1
Income eligible	12.3
Income and asset eligible	9.7
SSI	
Categorically eligible	10.2
Income eligible	5.2
Income and asset eligible	3.5
Food stamps	
Income eligible	64.8
Income and asset eligible	56.8
Means-tested veterans' benefits	
Categorically eligible	2.0
Income eligible	1.4 pct
Weighted sample size	6,316

Source: Table 6 in same source as Table 2.

Table 4

Persent Distribution of Household Income By Source and Sex

FSB Recipients

	1975	
	Male	Female
Type of Income	Percent	Percent
Respondent's Earnings	16.5	7.9
Spouse's Earnings	14.2	53.3
Earnings of Others	27.8	11.1
Social Security	4.6	4.5
Pensions	4.0	1.5
Respondent's Unemployment Compensation	26.9	16.7
Other Transfer Income	4.0	3.4
Other Income	2.0	1.6
Total	100.0	100.0
Sample Size	767	752

Source: Final Report, Follow-up Study of Recipients of Federal Supplemental Benefits, Mathematica Policy Research, September 25, 1978, Table IV. 3.

Family Status

The vast majority of FSB recipients had either no dependents or had a spouse present whose earnings contributed to family support. Table 5 shows that only a third of recipients were in households with no other earners, and most were without children under 18.

Work Attachment

The Mathematica studies found a relatively weak record of recent work attachment among FSB recipients. This corroborates evidence from other studies of UI, which have found that exhaustees are less work-attached than are other UI recipients. Exhaustees have less work experience on average, and they withdraw from the labor force twice as frequently as do non-exhaustees.*

Many recipients of FSB did not work steadily prior to their UI claim. Table 6 shows that in the three years prior to their claim, they worked only about two-thirds of the time, on average. Corresponding to their average age, about 40, they reported having entered the labor force 20 years prior to their claim.**

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*ASPER Technical Analysis Paper No. 45, Arlene Holen, December 1976.

**Final Report, A Study of Recipients of Federal Supplemental Benefits and Special Unemployment Assistance, Mathematica Policy Research, Oct. 30, 1976, Table II. 4.

TABLE 5

HOUSEHOLD CHARACTERISTICS OF FSB RECIPIENTS

Household Characteristics	Head of Household						Not Head of Household		
	Husband-Wife Families		Other Families		Unrelated Individuals				
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Total
Mean Age of Respondent	44.7	39.4	42.5	40.4	38.3	52.5	26.2	32.7	39.7
Number of Own Children Under 18 Years Old in Household									
None	51.2%	41.9%	77.2%	29.0%	n.a.	n.a.	95.2%	77.2%	54.8%
1	19.3	25.0	12.3	29.5	n.a.	n.a.	3.1	16.7	19.4
2	15.4	19.5	9.4	17.1	n.a	n.a	1.2	4.5	14.2
3 or More	14.0	13.6	1.1	24.3	n.a.	n.a.	0.6	1.6	11.6
Total	100.0%	100.0%	100.0%	100.0%	n.a.	n.a.	100.0%	100.0%	100.0%
Mean Number of Children	1.02	1.13	0.35	1.54	n.a.	n.a.	0.07	0.32	0.90

TABLE 5 (Continued)

Household Characteristics	Head of Household						Not Head of Household		
	Husband-Wife Families		Other Families		Unrelated Individuals				
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Total
Earners in Household, March 1976									
No Earners	38.1%	14.6%	49.6%	51.9%	70.5%	75.1%	17.2%	21.0%	33.1%
Respondent an Earner									
Only Earner	16.8	5.4	11.8	25.9	29.2	24.9	9.1	7.2	13.7
Spouse Also An Earner	14.3	19.6	0.0	0.0	0.0	0.0	0.8	3.2	10.6
Others Also Earners	1.3	0.6	13.3	9.0	0.1	0.0	25.5	25.1	5.8
Respondent Not An Earner									
Spouse An Earner	25.4	57.6	0.0	0.0	0.0	0.0	4.1	8.4	26.5
Others Only Earners	4.2	2.1	23.3	13.3	0.2	0.0	43.3	34.2	10.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	2,045	2,123	103	318	572	425	860	380	6,826

n.a. - not applicable

Source: Table 6.16, same source for Table 1.

Table 6

DISTRIBUTION OF FSB RECIPIENTS BY WORK EXPERIENCE PRIOR TO UI, SEX AND AGE

Work Experience Prior to UI	Male							Female							Both Sexes
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Number of Months Worked in 3 Years Prior to Claim															
Up to 6	9.0%	1.4%	0.0%	2.2%	0.8%	2.1%	3.3%	12.7%	4.9%	6.2%	4.5%	3.1%	0.3%	6.0%	4.5%
7-9	9.2	1.8	0.8	2.0	1.0	1.4	3.5	10.5	6.4	6.3	3.1	2.5	1.2	5.7	4.5
10-12	10.9	4.6	2.1	1.6	1.4	1.4	4.8	11.2	5.4	6.6	5.9	1.0	3.2	6.2	5.4
13-18	16.2	7.4	7.4	4.2	5.8	6.0	9.0	17.9	12.5	10.1	6.7	5.7	3.3	10.4	9.7
19-24	16.2	12.9	9.6	8.0	7.2	4.2	11.2	14.0	14.8	11.1	10.9	11.1	9.5	12.4	11.8
25-30	14.6	23.8	18.4	20.6	18.8	16.0	18.9	16.4	17.7	17.0	18.2	15.4	12.7	16.9	18.0
31-36	23.3	48.2	61.8	61.5	64.9	68.9	49.4	17.2	38.3	42.0	50.9	61.3	69.8	42.5	46.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Number of Months	20.0	27.5	29.8	29.8	30.3	30.7	26.0	18.5	24.2	24.5	27.0	29.2	30.9	24.8	25.8

Source: Table 6.5, same source as for Table 1.

FSB recipients tended to draw their full entitlement. Over half went on to exhaust under that program, which provided benefits up to 65 full weeks when combined with regular and extended UI benefits.*

The longer a person has been unemployed, the longer he may be expected to remain unemployed.** This increase in unemployment continuation rates with duration is especially pronounced for UI recipients.

Effects of Increasing The Duration of Benefits

The longer the time period over which an individual can collect unemployment compensation, the longer will be the actual duration of unemployment. High rates of reemployment or labor market withdrawal in the post-exhaustion period provide evidence of disincentive effects. A number of studies have attempted to measure the magnitude of the disincentive effects of longer periods over which benefits may be collected. Estimates of the effects of one additional week of potential duration on unemployment vary from .1 to close to unity. A modest estimate would be .5; that is, an additional week of entitlement lengthens the average duration of unemployment by a half week. Table 7 shows some of the research results on effects of longer UI durations.

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* Final Report, A Study of Recipients of Federal Supplemental Benefits and Special Unemployment Assistance; Mathematica Policy Research, Oct. 30, 1976, p. 80.

** Norman Bowers, "Probing the Issues of Unemployment Duration," Monthly Labor Review, July 1980, pp. 23-32.

Mathematica's analysis, using extremely cautious assumptions, concludes that without FSB the overall unemployment rate in 1975 would have been 7.9 percent instead of the 8.5 percent actually attained.*

While the disincentive effects of unemployment compensation have been amply documented, however, it is important to note that higher levels of compensation may not necessarily lead to better jobs. The theoretical connection between compensation and subsequent earnings is ambiguous, and empirical evidence on the subject has yielded contradictory results.

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* "Extending Benefits During Recessions: Lessons From the FSB Experience," Walter Corson and Walter Nicholson. Unemployment Compensation: Studies and Research, Vol. 1, National Commission on Unemployment Compensation, July 1980, p. 134.

Table 7

Summary of Research on Disincentive Effects of Longer UI Durations

Author	Data Set	Effect of 1 additional week of potential duration on unemployment
Ehrenberg and Oaxaca (1976)	National Longitudinal Survey	0
Holen (1977)	UI recipients	0.8
Brewster (1978)	FSB recipients	0.4-0.6
Walsh (1978)	Recipients of redundancy payments in Ireland	0.4-1.0
Newton and Rosen (1979)	UI recipients in Georgia	0.4-0.5
Solon (1979)	UI exhaustees in New York	0.3[1]
Moffitt and Nicholson (1979)	FSB recipients	0.1

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[1] Based on Solon's estimate that EB availability for 13 weeks increased unemployment weeks by 4. Solon's estimate for the effect of EB availability on employment by "repeaters" was similar to the estimate also.

Source: Table 2 in same source as for Table 1.

What Happened to FSB Exhaustees

FSB recipients had extremely long durations of unemployment, over 60 weeks on average, as shown in Table 8. Over half exhausted their FSB entitlement. Following exhaustion, however, their rates of reemployment or labor force withdrawal increased. Their labor market experiences were similar to other exhaustees in that they were more likely to find employment or leave the labor force once benefits had run out. About a fourth of the FSB exhaustees became reeemployed within four weeks and about half became reemployed within ten weeks.*

Overall, eighty percent of males and sixty-five percent of females became reemployed as shown in Table 8. About a fourth of FSB recipients left the labor force. Much of the labor force withdrawal was accounted for by older recipients who apparently retired.

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*Final Report, Follow-up Study of Recipients of Federal Supplemental Benefits, Mathematica Policy Research. September 25, 1978, Table III. 4.

TABLE 8

CHARACTERISTICS OF THE FIRST COMPLETED UNEMPLOYMENT SPELL STARTING AT THE UI CLAIM DATE, BY AGE AND SEX

	Male							Female							
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	All FSB Recipients
Mean Length of Completed Spell (Weeks)	48.0	52.7	65.6	65.3	70.5	61.2	58.0	58.6	67.3	70.0	67.1	59.7	59.6	64.8	61.3
Reason for End of Spell (Percent Distribution)															
Employed	92.7	90.8	92.6	86.7	58.9	23.8	80.8	76.5	68.3	83.5	70.6	41.6	11.6	65.8	73.4
Out of Labor Force	7.3	9.2	7.4	13.3	41.1	76.2	19.2	23.5	31.7	16.5	29.4	58.4	88.4	34.2	26.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sample Size	191	163	95	90	90	63	692	115	164	121	136	89	63	670	1,362

Source: Table II. 21 in same source as Table 4.

Timing of Benefit Receipt

Tables 9 and 10 show FSB expenditures and first and final payments, by quarter, for the period the program was in effect. Most of the benefits were paid out during the recovery and subsequent cyclical expansion. Ninety percent of all FSB expenditures were made only after the unemployment rate had peaked in May 1975. Over 85 percent of recipients received their first FSB check after the unemployment rate had peaked.

Conclusion

Mathematica's overall evaluation of the FSB program concluded that benefits were ill-timed with respect to the recession; the program increased unemployment; and that benefits were not effectively targeted toward the needy.

Table 9

UI Program Data, 1973-77

	UI first payments (thousands)	UI final payments (thousands)	FSB first payments (thousands)	FSB final payments (thousands)
1973				
1st quarter	1791	422	---	---
2nd quarter	1074	397	---	---
3rd quarter	1256	342	---	---
4th quarter	1207	333	---	---
1974				
1st quarter	2455	421	---	---
2nd quarter	1304	504	---	---
3rd quarter	1622	509	---	---
4th quarter	2348	492	---	---
1975				
1st quarter	4064	737	435	40
2nd quarter	2466	1210	597	266
3rd quarter	2100	1255	755	430
4th quarter	1935	976	874	476
1976				
1st quarter	2908	953	753	514
2nd quarter	1705	864	667	434
3rd quarter	1937	767	410	285
4th quarter	2036	701	388	267
1977				
1st quarter	3040	811	428	267
2nd quarter	1530	776	344	282
4th quarter	1682	592	107	202

Source: Table 5 in same source as for Table 2.

Table 10

Federal Stabilization Policies, 1974-77
(quarterly figures annualized, in $ billions)

	Federal deficit	Full employment deficit	All UI payments	FSB payments	Public Service employment	Tax cuts[1]
1974						
1st quarter	5.5	1.3	5.4	---	0.5	---
2nd quarter	7.6	3.5	6.3	---	0.2	---
3rd quarter	8.0	4.5	7.3	---	0.3	---
4th quarter	21.7	2.5	9.4	---	0.4	---
1975						
1st quarter	48.0	6.9	15.1	0.8	1.1	1.8
2nd quarter	99.9	55.2	18.6	1.8	2.7	42.8
3rd quarter	66.3	29.9	18.7	2.5	2.0	15.2
4th quarter	68.2	32.3	17.6	3.5	2.5	15.0
1976						
1st quarter	57.5	28.6	17.7	3.8	2.7	12.9
2nd quarter	47.3	21.0	15.3	3.3	2.8	12.8
3rd quarter	52.2	27.0	14.7	2.1	2.4	11.6
4th quarter	57.4	30.9	14.7	2.0	2.8	11.8
1977						
1st quarter	37.2	26.5	15.1	2.1	2.4	1.4
2nd quarter	40.9	27.7	12.3	1.5	2.9	3.4
3rd quarter	53.6	40.2	11.6	0.9	3.7	7.9
4th quarter	53.6	42.2	11.8	0.5	4.9	6.7

[1] For 1975-76 includes the Tax Reduction Act of 1975, the Revenue Adjustment Act of 1975, and the Tax Reform Act of 1976. For 1977 includes only the Tax Reduction and Simplification Act of 1977.

Source: Table 3 in same source as for Table 2.

Mr. COGAN. These findings from the FSB program make it clear that supplemental benefits are not targeted toward those in greatest need. This is what can happen when benefits are paid out for lengthy periods with no needs test.

At this time the administration and Congress are jointly seeking ways of reducing Federal outlays without creating undue harm to the poor and needy. It is especially inequitable to establish a program that is likely to provide a significant proportion of its total benefits to individuals whose household incomes may be two or three times the poverty line.

We believe that 39 weeks of unemployment insurance benefits is the maximum that should be provided based on a worker's previous job. Extension of such benefits beyond 39 weeks would not be an equitable or efficient way to deliver income maintenance benefits to those in need.

The second reason for opposing these bills is that they are ill-timed with respect to the business cycle. The mixed signals that our economic indicators are giving us suggest that the economy has entered a transition period from recession to recovery. For example, although industrial production continues to slide downward, gross national product did rise last quarter, seasonally adjusted initial claims for unemployment insurance have declined since mid-May, and seasonally adjusted total claimants have been virtually unchanged for the last 2 months.

The reason for considering extending benefit durations is to alleviate the financial burden caused by the recession. However, even if these bills were enacted today, most recipients would not receive benefits until well after the recession has ended. This was our experience with the FSB program during 1974 and 1975. Ninety percent of all FSB expenditures were made only after the unemployment rate had peaked in May of 1975, and over 85 percent of recipients received their first FSB payment after the unemployment rate had peaked.

The third and final reason is the financial and human cost of the proposed programs. The single most important factor preventing the economic recovery from taking place is high interest rates. These are due in part to the large Federal budget deficit. Since each of the proposed supplemental benefit programs is financed out of general revenues, each would act to raise the deficit. According to our estimates, these proposed programs would add between $400 million and $1 billion to the deficit.

While a $1 billion increase in the deficit might have a small impact on interest rates, the cumulative impact of many such programs would be large. An increase in the budget deficit would slow the reduction in interest rates and thus delay the economic recovery.

Any delay has a high human cost. It would prolong unemployment among people currently out of work and create further job losses among those who so far have avoided unemployment. The industries that would be hardest hit by continuing high interest rates are precisely those already hardest hit: construction and durable goods manufacturing.

Mr. Chairman, this committee has just completed the difficult task of proposing a tax reform package designed to raise revenues and thereby reduce the large Federal budget deficit. You undertook this task knowing that deficit reductions will play an important role in insuring economic growth in the coming years. Economic growth will produce more jobs and lower unemployment. These bills to extend UI benefits by increasing the deficit would have the opposite effect: They would inhibit job creation and increase unemployment.

In closing, let me summarize the administration's position. We oppose the extension of benefits because extending benefits is inequitable, ill timed, and costly.

Mr. Chairman, this completes my statement. I would be glad to answer any questions you or the committee members may have.

[The prepared statement of John F. Cogan follows:]

PREPARED STATEMENT OF JOHN F. COGAN

Mr. Chairman and Members of the Committee:

I welcome the opportunity to testify before this Committee. The Committee is currently considering three bills, S. 2542, S. 2637 and S. 2550 each of which would establish a temporary federal supplemental unemployment compensation program. Although the particulars of the three bills differ, they all have one essential provision in common: extending the duration of unemployment insurance benefits beyond the current maximum of 39 weeks. Rather than discussing each bill in terms of its particular provisions, I will concentrate on this common provision.

I fully recognize the circumstances that have led to the introduction of these bills. The prolonged recession has resulted in many individuals exhausting their entitlements to regular and extended benefit unemployment insurance payments. Exhaustions of extended benefits increased between April and May and the June figures will no doubt show a further increase. No one can trivialize the impact that this has had on the individuals affected. Unemployment is one of the most difficult human and economic problems this country faces. But this realization should not prevent us from considering the cost and consequences of extending benefit durations.

The proposed programs are inequitable because they are not targeted toward those who stand in greatest need. In addition, the timing of the extension of benefits is wrong with respect to the current state of the business cycle. Finally, the costs of the proposed programs are high in both financial and human terms. Based on these considerations, the Administration strongly opposes any of the currently proposed extensions of unemployment insurance benefits at this time. I'd like to elaborate on our reasoning.

The first reason for our opposition to these bills is that the benefits of the proposed programs are inequitable: they are not targeted on the truly needy. Data on the demographic and economic characteristics of those who are currently exhausting benefits are not available. However, we do know the characteristics of benefit recipients under the federal supplemental benefit (FSB) program that was in effect from 1975 to 1978. The group eligible for FSB was similar to those who would be eligible for the proposed programs.

Our studies of the FSB program reveal that the program provided benefits to a wide range of individuals. Some of the recipients truly needed cash assistance to help them through a prolonged period of unemployment, but many did not. To illustrate --

- About 33 percent of recipients had incomes, excluding FSB benefits, below the poverty line. But 40 percent of recipients had household incomes of more than twice the poverty line and 20 percent had household incomes of more than three times the poverty line. The poverty line for a family of four was about $10,000 in 1981 dollars.
- This high level of family income was due mainly to the fact that two-thirds of all FSB recipients had at least one other earner in the household.
- Furthermore, contrary to the popular belief that most benefits go to families with children, our studies indicate that the majority of recipients were not in families with children.

These findings from the FSB program make it clear that supplemental benefits are not effectively targeted toward those in greatest need. This is what can happen when benefits are paid out for lengthy periods with no needs test. At this time when the Administration and Congress are jointly seeking ways of reducing federal outlays without creating undue harm to the poor and needy, it is especially inequitable to establish a program that is likely to provide a significant portion of its total benefits to individuals whose household incomes may be two or three times the poverty line. We believe that 39 weeks of unemployment benefits is the maximum that should be provided based on a worker's previous job. Extension of such benefits beyond 39 weeks would not be an equitable nor an efficient way to deliver income maintenance benefits to those in need.

The second reason for opposing these bills at this time is that they are ill-timed with respect to the business cycle. The mixed signals that our economic indicators are giving us suggest that the economy has entered a transition period from recession to recovery. For example, although industrial production continues to slide downward, seasonally adjusted initial claims for unemployment insurance have declined since mid-May and the seasonally adjusted total number of UI claimants has been virtually unchanged for the last two months. The reason for considering extending benefit durations is to alleviate the financial burden caused by the recession. However, even if these bills were enacted today, most recipients would not receive benefits until well after the recession has ended. This was our experience with the FSB program during the 1974-75 recession. Ninety percent of all FSB expenditures were made only after the unemployment rate had peaked in May 1975. And over 85 percent of recipients received their first FSB payment after the unemployment rate had peaked.

The third and final reason is the financial and human costs. The single most important factor preventing the economic recovery from taking place is high interest rates; these are due in part to the large federal budget deficit. Since each of the proposed supplemental benefit programs is financed out of general revenues, each would act to raise the deficit. According to our estimates, these proposed programs would add between $400 million and $1 billion to the deficit. While a one billion dollar increase in the deficit might have a small impact on interest rates, the cumulative impact of many such programs would be large. An increase in the budget deficit would slow the reduction in interest rates, and thus delay economic recovery. Any delay has a high human cost. It would prolong the unemployment of people currently out of work and create further job losses among those who so far have avoided unemployment. The industries that would be hardest hit by continuing high interest rates are precisely those already hardest hit: construction and durable goods manufacturing.

This Committee has just completed the difficult task of proposing a tax reform package designed to raise revenues and thereby reduce the federal budget deficit. You undertook this task knowing that deficit reductions will play an important role in ensuring economic growth in the coming years. Economic growth will produce more jobs and lower unemployment. These bills to extend UI benefits would, by increasing the deficit, have the opposite effect. They would inhibit job creation and increase unemployment.

In closing, let me summarize the Administration's position. We oppose the extension of benefits because extending benefits is inequitable, ill-timed, and costly.

I will gladly answer any questions that you may have.

The CHAIRMAN. I appreciate your statement.

Does the administration have any recommendations for helping workers who have been out of jobs after exhausting 9 months of regular and extended benefits?

Mr. COGAN. Well, as you know, Mr. Chairman, one of our particular concerns is the so-called displaced worker—the automobile worker, steelworker, who has been displaced because of either rising imports or technological progress.

The administration has changed the trade adjustment assistance program so that we are spending now much more than ever in the history of the trade adjustment assistance program on retraining displaced workers.

We have also supported the Job Training Act of 1982, which will spend between $100 billion and $200 billion on retraining displaced workers.

The CHAIRMAN. Billion?

Mr. COGAN. I'm sorry—million. Megabuck syndrome.

The CHAIRMAN. I get a little shaky when you start talking about billions.

Mr. COGAN. Both of these programs, sir, are designed to provide important retraining for a group of workers who probably will not have much chance of returning to their industries.

The CHAIRMAN. Well, notwithstanding that, I don't say we disagree with the administration but we do have a problem, and I think we want to study it very carefully.

I understand that in many States, if not most, unemployed individuals can receive more weeks of benefits than they actually work. Is that true?

Mr. COGAN. That is precisely true. In fact, in many States eligibility is determined on the basis of how many weeks you worked. In some States the eligibility requirement is 20 weeks. Thus, under this program, what we would be doing, in effect, is saying that an individual would be entitled for 52 weeks of benefits after spending only 20 weeks at a job.

The CHAIRMAN. Well, does that actually happen? I know what the law may be. You know, most people have worked a long time before they are laid off. Do you have statistics on what the facts are, not what they might be?

Mr. COGAN. Yes. We have some statistics on the characteristics of recipients of the FSB program. And what we found there, sir, is that by and large the average extent of worker attachment to the labor force, among those individuals who received FSB recipients, was less than for the average worker.

What we found was that the average amount of time spent in the labor force for a typical FSB recipient, prior to his initiating his claim for unemployment insurance, was 2 out of the last 3 years. That is not a very strong buffer attachment, sir.

The CHAIRMAN. How large is the debt in the extended unemployment compensation account, and how much of that debt is due to the Federal supplemental benefits program that expired in 1978?

Mr. COGAN. I believe, sir, that the debt cost to the general revenues of the FSB program was around $5 billion. As I understand it, we have around the same debt now. In effect, we have paid off none of the debt of the old FSB program; but I would like to ask Jim Van Erden to comment on that.

The CHAIRMAN. I would like to know under current law, when will that debt be repaid?

Mr. VAN ERDEN. Mr. Chairman, our projections under current law would repay that debt in about 1988 or 1989. Part of the debt is also due to the extended benefits program—the Federal share. As Mr. Cogan said, the current debt for FSB is actually $5.7 billion, and the account itself is in debt $7 billion to general revenues.

The CHAIRMAN. Are you aware of the problem that was raised this morning by Senators Mathias and Sarbanes, the Maryland problem?

Mr. VAN ERDEN. I am familiar with the problem; yes, sir.

The CHAIRMAN. I think the letter probably addressed it. It will be made a part of the record, and we will furnish you a copy of that, to the Labor Department, and ask for your immediate response, if we can have that.

Senator Long?

Senator LONG. Looking at your statement, on page 3, "About 33 percent of recipients had incomes below the poverty level." My understanding is that we have about 9 million unemployed people out there. How many people are you talking about, now, when you say 33 percent of these people unemployed have incomes below the poverty level?

Mr. COGAN. Sir, under this program, the FSC program, I believe we would be serving somewhere around--well, let's take it right now. Last month, the month of May, 123,000 individuals exhausted extended benefits. You can figure that a third of those, if the 1974-75 recession is similar to this one, would be below the poverty line. So a fraction of those would be eligible for FSC; not all of them would.

Senator LONG. All right. Now, here is my question to you, taking you at your statement. Let us assume that you would be justified in saying that two-thirds of those people would get no help. What is your logic in saying you shouldn't do anything for the other 33 percent?

Mr. COGAN. Sir, I would oppose this program as I would oppose an extension of welfare or food stamps, if I knew that the extension would provide a significant portion of benefits to individuals who had incomes two or three times the poverty line.

Senator LONG. Well now, you are paid a salary by the Government, right? All right. Now, you are supposed to be able to think. If you have got a program where two-thirds of the people are eating and the other third are not eating, what's your excuse for ignoring the one-third who are going without food and clothing and shelter? What's your excuse for not doing anything for those 33 percent that are being left out?

Mr. COGAN. Sir, we are very concerned about the 33 percent who are below the poverty level.

Senator LONG. You are saying don't feed those, because somebody else has a loaf of bread. Well, I'm saying how about the fellow that hasn't got it? What good is that doing him that somebody else is eating?

Mr. COGAN. Sir, we have a welfare system that is designed precisely.

Senator LONG. It doesn't do a blessed thing for him. If he doesn't have any children, you know he is not eligible to go on the welfare. And in many States, including mine, unemployed even families with children where the father is not eligible to go on the welfare, period. Now, you know that, don't you?

Mr. COGAN. Yes.

Senator LONG. About half the States don't have a welfare program for families with an unemployed father programs.

Now, what is your excuse for not being up here with some kind of recommendation to look after the thousands of people who, according to your statement, are going hungry today?

Mr. COGAN. Sir, we oppose this program because——

Senator LONG. Well, I am not talking about your opposing it for somebody who is eating, you understand. I am not talking about your opposing it for somebody whose wife is working and they have got other income or for the millionaire temporarily out of work. I am not worried about that. I'm concerned about the poor devil who is hungry and has hungry children. What's your excuse for not recommending something for him and for them?

Mr. COGAN. Sir, we cannot ignore the costs of the program. I agree that there will be people who will receive less income as a result of this program not passing; but the program has a cost. If the recovery is delayed because we enact programs such as this, Sir, then we will just be adding more people to the ranks of the poverty level group. We will not be reducing poverty by enacting this program, Sir.

And furthermore, Sir, under this program we cannot identify an individual when he walks in the door as being in poverty or not being in poverty.

Senator LONG. It sounds to me as though you have got Marie Antoinette beat. She said, "Let them eat cake," you know, "If they have no bread, let them eat cake." It sounds to me like you are saying, "Don't let them eat anything if it is going to cost money."

The CHAIRMAN. Well, we've got cheese.

Senator LONG. Well, all right, pass them some free cheese once in a while.

But why aren't you up here to say these are starving people out here. According to your statement a third of them have incomes—and let's just leave out the confusing language—a third of them have incomes below the poverty line. They need help and they are out of work. What's your excuse for not doing anything for them?

Why not have a recommendation or a suggestion, aside from just saying, "Look, don't do anything for them. If you do something for them, there might be somebody who will get in on this thing who has already got something to eat"?

Mr. COGAN. The unemployment insurance program is not the proper vehicle for dealing with poverty. We have a vast array of poverty programs. If we are concerned about poverty, Sir, we should spend perhaps more money on those programs.

Poverty will be with us for a long time, I'm afraid. We have not eradicated poverty despite a massive increase in welfare expenditures over the last 20 years. This program is a temporary program. When it ends, poverty will be with us. And unemployment insurance, Sir, is not the way to handle poverty.

Senator LONG. Well, now, you are supposed to know about the situation nationwide. What can I tell some poor soul in Louisiana, just in Louisiana? I know about the law of Louisiana. I know what the State is doing and what the Federal Government is doing; but what can I tell some poor soul in Louisiana who is out of work, and his children are hungry, and he's hungry, and mama's hungry, the whole bunch of them. Grandma's around there, she's hungry, too.

Now, what can I tell those people? Just wait for times to get better? Is that your answer?

Mr. COGAN. No, sir. I would tell them that I oppose these programs for the same reasons that I oppose increases in welfare and food stamps if these increases provide benefits to individuals that have incomes two and three times the poverty line.

The problem with the program is that it is inequitable. I would tell them that the program is unfair because it provides benefits to individuals who are not even close to being in need. I would tell them that the program is unfair because an individual could receive 52 weeks of benefits for working for only 20 weeks. I would tell them that the program is unfair because it would operate in perhaps a third of the States, and what about the individuals in the other two-thirds of the States?

Senator LONG. Well, you in effect want to tell those people, "Look, I know you're hungry," And yet, you would say, "Look, I'm afraid that if we did anything to help you there's going to be some chiseler or cheater who'll get on this program who doesn't deserve it. So, I'm sorry, but you will just have to go hungry."

Now, I see you nodding while I'm saying that. That basically is what I would have to tell those people if I follow your recommendation. I've never done that. I've always said, "Grandma, if I have my way, you will not starve. You will not go hungry." When people are out of work and really down and out, it's one thing if the wife's got a job and she's bringing in a good income—I think I can buy your argument there—but when she doesn't have the job and there is no family income, I, for the life of me, don't understand how you can just come up here and recommend that nothing be done. Why don't you have a recommendation to do something for the deserving cases?

Mr. COGAN. Sir, if we could somehow effectively target this program and the extended benefit program, then perhaps we would be more positive on these proposals.

Senator LONG. Well, have you tried?

Mr. COGAN. Yes, sir. In the Department we have given the idea of targeting the programs or trying to establish a needs test considerable examination in the last few years. The problem is that there is no administratively feasible way of doing it right now.

Senator LONG. Well, why don't you create one?

The CHAIRMAN. We'll create one for you, if you don't. [Laughter.]

I would like to know who in the Administration—you don't make the policy, do you? You just read the statement. [Laughter.]

Who made this determination?

Mr. COGAN. This determination was made by the Cabinet Council on Economic Affairs, and the President also agreed that we should oppose an extension of benefits beyond 39 weeks.

The CHAIRMAN. For the reasons outlined in your statement?

Mr. COGAN. Yes, sir.

The CHAIRMAN. And who drafted this statement?

Mr. COGAN. I did, sir.

The CHAIRMAN. Good luck.

Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman.

My views are very similar to those of the Senator from Louisiana. I am frankly astounded that the administration won't come up with some suggestion, some amendment, something to help these people, the one-third that we are talking about who are below the poverty line.

When Senator Long asked the question, what does he tell his people back in Louisiana, that improverished one-third, your response was that, well, this program would somehow give benefits to upper income people. That is an appalling answer in my view. I could not begin to even consider giving that kind of a response to my people in Montana who are out of work.

Let me tell you, this is no glib statement. It is an actual question of human life. People in some communities of Montana have called me up to ask, "How are we going to get some of this cheese?" They want to participate in the pilot programs for some of the butter that is available, and they want trucks to bring it in. They are that desperate. And these are sawmill workers who are out of work. They are not welfare cheats; they are men and women who have worked in plywood mills and stud mills, and they are just out of work because of what's happening to the economy.

So, I can't tell those people that, "Well, somehow the extended benefit program might give some money to a millionaire, so therefore you can't get anything." I can't even consider that. They would throw me out of the union hall. They would throw me out of the town meeting, even if I began to mention that. And you know that. I think you know that—maybe you don't know that. [Laughter.]

I am suggesting that you should at least consider that, because I can tell from talking to people at home, that's a fact.

I can't for the life of me understand why you don't come up with or agree with some kind of temporary assistance for these people. The administration claims there is going to be a fall economic recovery. All we are talking about here is a maximum 13-week program. It is not a permanent program, it's a program of only 13 weeks. So why can't we help tide these people over until the alleged good times arrive in the fall? I don't know if they are going to come in the fall anyway, but giving you your assumptions that we will have a fall recovery, why in the world can't we help some of these people who are out of work through no fault of their own? They aren't welfare cheats, they aren't chiselers, they are trying to feed their kids—literally, feed their kids. As I mentioned earlier, these are people who are calling me up wanting some of that cheese, some of that butter, and some of that surplus, because that's all there is that's available.

So why can't you be somewhat sensitive to these people's concerns and fashion some kind of recommendation to meet the objections that you have or to help these people?

Mr. COGAN. Senator, the administration is very concerned about long-term——

Senator BAUCUS. Then, if you are concerned—you know actions speak louder than words. You say you are concerned; why don't you come up with some concrete proposals that show your concern?

Mr. COGAN. Sir, these proposals, the cost of them is just simply——

Senator BAUCUS. I have heard that all morning. You are not addressing my point. My point is why can't you come up with some suggestions to meet the problem; that is, to help that one-third below the poverty line, let alone some of the others who are just at or slightly above the poverty line?

Mr. COGAN. Sir——

Senator BAUCUS. Well, I can see we're not going to get anywhere, but I hope you don't take lightly the words of various members of this committee, because they are heartfelt, real concerns that we have. And, as Senator Dole said, good luck to you. I think this panel is not at all receptive to the administration's views.

Senator HEINZ. Thank you, Senator Baucus.

Mr. Cogan, do you think we need some kind of adjustment program for dealing with industries that are in transition?

Mr. COGAN. Yes, sir.

Senator HEINZ. What are you proposing in that regard? Because, if you do believe we need an adjustment program I want to compliment you, because you are the first member of the administration that has ever been in this hearing room that has said so.

Secretary Baldrige testified here. He said he didn't have any ideas on that. Special Trade Representative Brock said the same thing. Secretary Regan was up here, and said, "No, we don't have anything in mind," and I'm delighted at the change of heart. What do you have in mind?

Mr. COGAN. I imagine that Secretary Baldrige was was referring to one of the several bailout bills for industry. What I was referring to were bills for worker adjustment, for the unemployed in these industries.

The administration fully supports retraining for workers in our basic manufacturing industries.

Senator HEINZ. Now, we have 9 million people out of work. How much are we spending on worker retraining right now?

Mr. COGAN. For the displaced workers?

Senator HEINZ. For displaced or any other kind of worker who is out of work and needs retraining.

Mr. COGAN. We have allocated about $25 million for fiscal year 1982.

Senator HEINZ. Of course, if I divide 9 million workers into $25 million, I get $3 a worker. That's a little low, I think, for a really good retraining program. Three dollars will get you downtown and back if you live in a federally subsidized mass transit area.

What are we doing besides that?

Mr. COGAN. We also have the employment and training program, CETA, in place. And in the latest Job Training Act, which the Senate voted on about 3 weeks ago and passed, we were contemplating somewhere around a $100 million for the retraining of workers.

Senator HEINZ. Now, $100 million divided by 9 million workers is somewhere between $10 and $20 a worker. Now, I must be missing something. How is that going to help?

Mr. COGAN. The relevant figure, sir, is, I guess, around $3 billion for the amount that we will spend totally on retraining.

Senator HEINZ. Well now, most of that money, I think you know, in the so-called Jobs Training Act, Quayle-Kennedy, for a $3.9 billion piece of legislation, is by law, by statute in the authorization targeted not at workers who are unemployed. Most of it has to be, by statute, targeted to young people, 16 to 22 or 23 years of age.

Mr. COGAN. They constitute about 23 percent of the unemployed, sir.

Senator HEINZ. What about the other 77 percent of the unemployed?

Mr. COGAN. Well, let's begin with our basic manufacturing workers. They constitute somewhere around 25 to 30 percent of the unemployed. And we are proposing to spend far more than we have ever spent before on retraining the unemployed workers in those industries.

Senator HEINZ. Now that's what? Three million people in those industries? Thirty percent of our unemployed? How much do we propose to spend on retraining those 3 million workers?

Mr. COGAN. I'm sorry, sir?

Senator HEINZ. How much do we propose to spend on retraining those workers?

Mr. COGAN. The administration is contemplating $100 million of its own funds, which would be matched by $100 million of State funds.

Senator HEINZ. So that's $33 per worker in Federal funds to be matched by $33 per worker in State funds--$66.

Now, I used to run training programs before I got involved in politics. We ran one of the most efficient training programs. We took young women just graduating from high school who had substandard secretarial skills, could only type 25 to 30 words a minute, could only take dictation a little bit higher than that. We ran an 8-week training program so that they would have the skills to be hired by Pittsburgh businesses. The training cost of that very modest, very simple program, where we were building on skills that had been imparted in part in high school, was about $600 in 1967 dollars. Now, frankly, I don't believe you can buy anything for a tenth of that in current dollars today. I just don't know what kind of a commitment that is.

So I think it's well to say we've got a job retraining approach, but you don't have any money behind it that's going to make any difference.

Now, I understand the administration is not in favor of accelerated public works. I understand that there is no particular program targeted at specific industries. You have said to Senator Long that you have no proposals to target unemployment compensation extended benefits to the truly needy, and I guess I have to join the chorus which says: If you're not for anything that we've mentioned, even if you are not for an unemployment compensation extension that is targeted just to families or people where there is no wage earner left in the family, what are we for? What are you for?

Mr. COGAN. As I've tried to indicate previously, sir, we are for a rapid economic recovery. The cost of this program is to delay that recovery.

Senator HEINZ. Well, let me interrupt you, because you have said that before, and I don't want you to feel redundant. [Laughter.]

I didn't mean it the way it may have sounded.

Are you saying that if the Congress found a way to pay for the program—the House has found a way to pay for this program—that the administration would oppose its enactment? It wouldn't have any budgetary effect; it wouldn't have any budgetary effect.

Mr. COGAN. If you are referring to the proposal to lower the income tax thresholds on UI benefits——

Senator HEINZ. Well, that's one way of doing it. There may be other ways.

Mr. COGAN. Well, the administration does oppose that proposal, sir.

Senator HEINZ. But, if we find a way to pay for it would you oppose it? That wouldn't slow down economic recovery, it might speed it up.

Mr. COGAN. Yes, sir. We would.

Senator HEINZ. We would what?

Mr. COGAN. Oppose it.

Senator HEINZ. Under any circumstances?

Mr. COGAN. Let me go through the two ways that I'm aware of that we could pay for this. One is by lowering the income tax threshold on UI benefits. The administration regards that as very inequitable. That's robbing Peter to pay Paul.

Another way of financing the program is by a further increase in the FUTA tax, or on a taxable wage base. At a time of high unemployment, the last thing we want to do is tax employment.

Senator HEINZ. Wait a minute. I think you had better be careful there. The administration has endorsed that proposal.

Mr. COGAN. It has?

Senator HEINZ. As part of the Senate Finance Committee tax bill; even though Senator Long and Senator Boren didn't support it, to the best of my recollection, the administration did. It's part of the bill that we passed. So be a little careful about what you are posing.

Mr. COGAN. I was careful, sir, and I said "further increases."

Senator HEINZ. Well, this is a further increase than what we've got now.

Let me try a different and last tack here.

Now, you've said that economic recovery is just around the corner.

Mr. COGAN. I did?

Senator HEINZ. I would like you to come to Midland, Pa., or McKeesport, to the south side of the city of Pittsburgh where the only thing that's around the corner is the unemployment office, and it's getting fuller.

The steel industry today is operating at its lowest capacity since the Great Depression. We have 628,000 Americans as of June 30 who are exhausting their last few weeks.

Now, what would you say to the people in McKeesport or Midland where the plants are closing and the blast furnaces are being banked? What do you say to them—"Go to Texas?" Texas just put out a pamphlet saying, "Don't come down here; we don't have any jobs down here." What would you tell them? "Just wait?"—knowing that the chance of that blast furnace ever reopening are about zero? Tell them, "Go look for worker retraining?"—$33 a person if the State comes up with the money? Tell them that unemployment compensation is inequitable?—what you said a moment ago, it's inequitable because I guess all the States that have enacted unemployment compensation programs don't know what they're doing? When you are saying unemployment compensation is inequitable—there are 39 weeks of unemployment compensation available in most States, so I guess the 40th week is inequitable; that makes the 39th week inequitable. I mean, what do you tell these people?

Mr. COGAN. Sir, you asked me about five questions in there. Let me address the first.

Senator HEINZ. I just asked you what you tell these people. I tried to put those five things in because you've already said them.

Mr. COGAN. And I guess I will respond to you as I responded to Senator Long: Two basic reasons, sir. One is the inequity, and, two, it will delay the recovery. The cost of this is going to be higher unemployment, less job creation.

Senator HEINZ. Well, Senator Boren, I think it's your turn.

Excuse me. Senator Long, did you have your——

Senator LONG. Opportunity.

Senator HEINZ. You had your shot.

Senator Boren?

With due respect, it's pretty easy, isn't it?

Senator BOREN. I'm sorry I missed the earlier comments, but I think I got the gist of it.

So, the administration has no proposal at all in terms of what we do with people who have run through the 39 weeks, other than for them to sit at home and wait for an economic recovery. Is that correct?

Mr. COGAN. It is a correct statement to say that we oppose the extension of unemployment insurance benefits.

Senator BOREN. So, what is your proposal other than having them sit at home and wait for the economic recovery or eventually deplete all their resources, sell their homes, and so on, until they qualify for welfare assistance? What is the alternative to that that you are proposing?

Mr. COGAN. None, sir.

Senator BOREN. Well, all I can say is, the American people have called for leadership. They have called for creative approaches.

I would be ashamed to come up here and say that I don't have any better approach than to tell people, "Sit at home until you disburse all of your assets, and go on welfare;" rather than some approach that would give people hope that they are going to be put to work. People want to be productive citizens.

I would just urge you to go back to the drawing boards—the people of this country are crying out for some kind of answers—and at least say, "We'll think about it," because I think that that's a disastrous thing.

I find a lot of inconsistency here. For example, do you think that the first two-tenths of a percent of increase in the FUTA tax that's included in this bill—will that improve or create more jobs?

Mr. COGAN. Sir, as with all taxes, we find extreme difficulty in accepting the increase; however, given the large budget deficit, given that the recovery will not take place until we get the deficit under control, the administration will support a set of tax reforms, one of which included raising the FUTA tax.

Senator BOREN. Well, it seems to me like if four-tenths of a percent increase is going to decrease jobs, two-tenths will decrease jobs, too. But why would the administration favor permanent tax increases as a method of reducing the deficits rather than temporary tax increases?

We had proposals here for temporary deferrals, temporary deferrals of tax breaks for those making above $80,000 a year, and the administration apparently would favor permanent tax increases in the amount of $100 billion rather than temporary deferrals of tax cuts for those above $80,000. Why is the administration hung up on putting permanent tax increases on the American people instead of some kind of temporary tax act?

Mr. COGAN. Mr. Senator, on the whole the administration has reduced taxes. But in terms of particular taxes, I think——

Senator BOREN. Well, wait a minute. Let's see, now, the personal income tax, I think the total amount of that is about an $80 billion reduction through 1985, and this would be a $99 billion increase.

Mr. COGAN. Perhaps it would be wisest for me not to speak on tax issues. You should have the Assistant Secretary for Policy in the Treasury up here to respond to those questions.

Senator BOREN. Well, I don't want to be unkind, but let me just say that I think that we have an economic emergency in the country, we have an economic emergency with interest rates, we've had no change of interest rate policy from the administration. We have an economic emergency in terms of Government borrowing, in terms of the size of the deficits. We have new estimates just out this morning that the Government is going to have to borrow $100 billion over the next 6 months. How in the world we can view that development as something that is a sign of economic recovery on the way, I don't know.

We have not had any shift of policy, any coming forward with a mid-course correction; and now we seem to have no answer at all for those people who are saying, "What are we going to do? We want to work. There are no jobs for us." There is no answer.

I think, as a political analyst, not as a Senator, not as a member of a political party, that probably one of the reasons why the President got elected last time is that people had decided that maybe things were not going to change under the past administration, and that maybe there was at least some hope something new would be coming forward under this administration. And when we come forward and say we have no ideas, we are intellectually bankrupt, we have no ideas, we can hold out no hope that people are going to have an opportunity to work, all I can say is this seems to be happening even more quickly in this administration than it did in the last. And I would urge you to go back and think some more.

Senator LONG. Let me just say this one thing to you, if I might, just to conclude what I think about this matter.

Where you've got a high degree of unemployment, even with the recession that we're in, this is still the richest Nation on the face of the Earth, with more food than the people can eat and the highest standard of living that anybody has ever known in history, yet you come in here and you try to tell us that in times of economic recession or depression, we can't do anything to help working people who have suffered the results of Government policies. For whatever reason, be it the trade policies, the economic policies, the banking policies, whatever, the sum net effect of it is those people are out of work and hungry. How can those in government who had the power to say "Here's what our policies are going to be" turn around and say "I'm sorry, we aren't going to do anything to help you poor souls out there because if we did something to help you there might be some cheater getting on this program." When you've got those tens of thousands of people that you yourself have described who need help and have been put out of work and are not going to get a job anytime soon, you'd better anticipate that if this administration and especially if the President gives the same kind of answers you have given today, you are going to have 30,000 self-appointed campaign managers out working against your crowd come the next election.

You may be able to sell that to a few people, or maybe it's been sold down in your Department, but I'm here to tell you you can't sell that to many of the Republicans in this Congress much less a majority of the Democrats.

Mr. **Cogan**. Senator, let me point out that this will not help the vast majority of individuals who are exhausting extended benefits. Our projections indicate that the FSC program will trigger on, in perhaps as many as a third of the States, and perhaps only a dozen States. Thus, individuals who have exhausted extended benefits in the other two-thirds to four-fifths of the States will end up not receiving any FSC benefits.

These particular proposals that you are discussing with me today will not help the vast majority of people that you and I are concerned about. They are not the proper solution to the problem.

Senator **Long**. Well, I think you heard me say that even if there were no benefits for Louisiana, I know how badly those people are suffering up there in Michigan, and I'd still vote to help them if there wasn't anything in it for Louisiana because I have compassion for people.

I don't know why you should even have the job you are holding there if you don't have some. And for you to come in here and say, "Well, no, I'm going to recommend you not do anything because this wouldn't cure it all, this wouldn't help everybody, it wouldn't solve all the problems"—how many times have I heard that? I have yet to see a bill that's going to solve all the problems, but it's a good bill insofar as it goes.

Now, you come up here talking about the problem of need in this country. Where can people turn who have worked for a lifetime for a living and who are in desperate circumstances—and you recommend not that we expand it to take care of some poor soul that is left out but that we not do anything for anybody.

Senator **Boren**. I would just say I feel the same way. This may not apply to Oklahoma, it may not be triggered in Oklahoma, but just because I try to represent my State and its interests doesn't mean that I don't have sympathy for people that live in Michigan or Ohio or Pennsylvania, or someplace else. And it weighs on my mind.

I can meet my house payments. I can take care of my immediate needs, and so can people in this country who are making $100,000, $200,000, $300,000 a year; but I have real feeling for a person who is not a deadbeat, who wants to work, who has had a job, and who has had to leave that job through no fault of his own, who can't meet his house payment, who can't educate his children, who can't find work, who is sitting at home feeling useless.

I am at a loss of words to understand this attitude. I would urge you again, as we have said earlier in the hearings, I think we can provide a program that would be cost effective, blending together jobs and training. I am not talking about the kind of boondoggles we've had in the past, which I have observed in the past in the CETA programs and other programs, where they were not targeted in, where you had people literally that took CETA jobs as political plums; I am talking about a program strictly targeted to the people who have exhausted their unemployment benefits beyond the 39 weeks, who would qualify. Target in on them and say, "We will work for a jobs program and a training program for you who will utilize those Extended Benefits payments to help be a portion of the cost," in essence, a wage for the person while they are going through that program. I think it could be cost effective.

I think if we are ever going to get people in the country altogether in one boat, we have to have some semblance of fairness.

I just can't believe that people in this country who are well off, who have had jobs, who are up at the very high levels in terms of income right now, would not willingly, if presented with the facts, want to help an individual in that circumstance. And I think if we don't show concern for them, as this economy stays in the deep situation it is in now, I think I can say that I think not only the economic consequences and the political consequences for the administration of the country will be serious, but the social consequences will be serious as well. And I think we've got to be sensitive to that.

It looks like everyone has departed. I think what we will do, Senator Heinz will be back very quickly—what is the next panel?

The panel is from the AFL-CIO: Mr. McGlotten and Mr. Seidman, I see. Why don't we have the next panel take their positions, and we will just declare the hearings temporarily in recess until this vote is over, and Senator Heinz will be returning very soon.

So you can go ahead and be getting in place, and we will recess temporarily until he returns.

[Whereupon, at 11:31 a.m., the hearing was recessed.]

AFTER RECESS

Senator HEINZ. The next witnesses are Mr. Robert McGlotten, associate director of the department of legislation, AFL-CIO. I see he is accompanied by the eminent Bert Seidman, director, social security department. And it is also a special pleasure to welcome a constituent, a good friend from Pennsylvania, Ed Sherman, who is the manager of the Pennsylvania Keystone Joint Board of the Amalgamated Clothing & Textile Workers Union of America, Allentown, Pa.

I would note for the record, if I might, Ed, that when you and a number of other of my constituents were down here about 3½ weeks ago, one of the things you said was, "Senator, is there any way that you can get a Senate Committee on Finance hearing on unemployment compensation?" Little did I know then that you were going to be a part of it, and I'm delighted.

May I welcome you, and I thank you for making the journey.

I would like to ask Mr. McGlotten to please proceed.

Mr. McGLOTTEN. Mr. Seidman will read our statement, Senator.

Senator HEINZ. Very well.

Mr. McGLOTTEN. Thank you.

STATEMENT OF BERT SEIDMAN, DIRECTOR, SOCIAL SECURITY DEPARTMENT, AFL-CIO, WASHINGTON, D.C.

Mr. SEIDMAN. Thank you, Senator.

You have already mentioned that Robert McGlotten, associate director of the legislative department of the AFL-CIO is with me, and also Arleen Gilliam, who is an assistant director of the social security department of the AFL-CIO.

I will try to summarize my statement to some extent, and I request that the full statement be placed in the record of the hearing.

We appreciate the opportunity to present to this committee the views of the AFL-CIO on the urgent need for Federal supplemental unemployment compensation benefits to prevent economic deprivation for millions of long-term jobless workers who have exhausted their regular and extended unemployment compenation benefits.

S. 2550, introduced by Senator Heinz, would provide an additional 13 weeks of supplemental benefits fully financed from general revenues and restore to the formula for triggering extended benefits inclusion of extended benefit recipients. These are indeed important steps in the right direction.

Supplemental benefits should be available to all unemployed workers who have exhausted extended benefits, whether or not their State is in an extended benefit period.

Today there are more people out of work than at any time since the Great Depression of the 1930's. For the first 6 months of 1982, an average of 10 million jobless workers were officially counted as unemployed. In June, 10.4 million workers were without jobs, and another 5.4 million who were unable to find full-time jobs have been forced to accept part-time work. Add to that the 1.5 million workers too discouraged to continue looking for work, and you have over 17 million workers who are suffering serious and painful job and income loss. Thus, the true unemployment rate is over 13 percent.

According to the Bureau of Labor Statistics, in 1981 2.9 million unemployed workers suffered involuntarily joblessness all year long, and nearly 20 percent of the labor force experienced some unemployment.

Unemployment for black workers exceeds 18 percent with black teenage unemployment at more than 50 percent. During 1982, 1 of every 4 workers—over 25 million—are expected to suffer some period of joblessness.

These bleak statistics are clear evidence that the economic recovery promised by this administration is far from becoming reality, and indeed, the President acknowledged that last night. Yet, this administration demanded and Congress enacted drastic cutbacks in the very programs designed to protect jobless workers and their families from total economic deprivation during periods of recession-induced unemployment.

The national trigger has been eliminated, and recipients of extended benefits can no longer be included in the calculation of the insured unemployment rate which serves as the trigger for extended benefits in the States.

Because of the change in the trigger calculation, even the State of Michigan, despite depression levels of unemployment, stopped paying extended benefits for 13 weeks. In addition, the mandated exclusion of those receiving extended benefits in calculating the triggers has resulted in extended benefits triggering off in State after State in which unemployment is even higher than the national 9.5 percent. Once a State triggers off, extended benefit payments cease immediately. If the national trigger had not been eliminated, extended benefits would now be available nationwide instead of being paid in only 27 States, since the national insured unemployment rate exceeds the required 4.5 percent.

Due to the elimination of the national trigger and the required change in the calculation of State triggers, over 1 million workers will receive reduced extended benefits or none at all in the current fiscal year. As the result of two additional restrictions that will become effective at the beginning of fiscal year 1983, extended benefits will be paid in even fewer States. At the end of September, State triggers must increase by 1 percent even though the official unemployment rate at that time could be 10 percent or higher with the real unemployment rate much higher.

In addition, jobless workers who exhaust their regular benefits will be required to have 20 weeks of qualifying employment in order to be eligible for extended benefits.

The latest figures we have from the Labor Department indicate that because of the restrictions now in effect and the new ones to become effective on September 26 of this year, 3.2 million additional workers will lose extended benefits during fiscal year 1983.

However, we understand that the Department will issue revised figures today showing that even this horrendous level will be exceeded. Long-term jobless workers are thus being forced to bear the responsibility for their unemployment which has been caused by economic events over which they have no control. This is the height of injustice.

Over 3 million unemployed workers have exhausted their regular benefits since July 1981. In those States in which extended benefits have been available, over one-half million long-term jobless workers have exhausted these benefits as well. These workers and their families are faced with severe economic hardship as the result of the Reagan administration's cutbacks in the extended unemployment insurance program.

Workers who lose their jobs face a long and painful spell without work and the prospect of losing their unemployment benefits long before they find jobs.

This situation is even more intolerable because jobless workers are finding that other resources are no longer available to them. That applies to welfare, food stamps, medicaid, all the other resources that in the past have been available to jobless workers are being wiped out and being drastically curtailed.

This tragic situation must not be allowed to continue. The protections of the extended benefits program must be restored, and a program of Federal supplemental benefits must be enacted.

In the past, Congress has several times enacted legislation establishing supplemental programs. The AFL-CIO has long advocated the establishment of a permanent supplemental benefits program for the long-term unemployed who have had a firm attachment to the labor force, which would provide benefits for up to 65 weeks in all phases of the business cycle. Such a program should be funded by general revenues as the National Commission on Unemployment Compensation recommended.

Since recession-induced unemployment is attributable to Government policies and national economic conditions, the Federal Government should bear the cost of these additional benefits.

The insured rate of unemployment used to trigger extended benefits has serious defects, and we strongly recommend that those defects be corrected.

We regret that the Committee on Ways and Means of the House of Representatives has approved as part of its consideration of legislative changes required by the budget reconciliation process the taxation of unemployment compensations at even lower income levels than under present law; and we therefore strongly support the fact that your bill, Senator Heinz, does not provide for such a drop in the threshold for taxation of unemployment compensation recipients. Instead, your bill provides for financing of supplemental benefits from general revenues, and we urge you not to consider further taxation of unemployment compensation benefits as a means of funding a supplemental benefits program.

In conclusion, the AFL-CIO is convinced that unemployment remains America's No. 1 economic problem. Organized labor has consistently advocated and supported legislative efforts to establish jobs and put people back to work. We still favor this approach to solving the problems of joblessness, but until the goal of full employment is achieved, a Federal supplemental benefit program to provide up to 65 weeks of unemployment compensation benefits, financed with general revenues, is urgently needed by the large numbers of jobless workers and their families who need its protection.

We urge the Congress to take immediate action to enact such a program.

Thank you, Mr. Chairman.

[The prepared statement of Bert Seidman follows:]

PREPARED STATEMENT OF BERT SEIDMAN

We appreciate the opportunity to present to this Committee the views of the AFL-CIO on the urgent need for federal supplemental unemployment compensation benefits to prevent economic deprivation for millions of long-term jobless workers who have exhausted their regular and extended unemployment compensation benefits.

S. 2550, introduced by Senator Heinz, would provide an additional 13 weeks of supplemental benefits fully financed from general revenues and restore the original formula for triggering extended benefits. This is a step in the right direction.

Supplemental benefits should be available to all unemployed workers who have exhausted extended benefits, whether or not their state is in an extended benefit period. Because of the restrictions in the extended benefit program, these benefits are not available in many states that would otherwise have been paying them. Unless the present trigger levels are lowered or maintained, as we urge you to do, even fewer states will be able to pay extended benefits. Thus, many long-term jobless workers who exhaust their extended benefits payable from states that are no longer in an extended benefit period, would be ineligible for additional benefits.

Today there are more people out of work than at any time since the great depression of the 1930's. For the first six months of 1982, an average of 10 million jobless workers were officially counted as unemployed. In June, 10.4 million workers were without jobs and there were another 5.4 million workers who, unable to find full-time jobs, have been forced to accept part-time work. Add to that the 1.5 million workers too discouraged to continue looking for work and you have over 17 million workers who are suffering serious and painful job and income loss. Thus, the true unemployment rate is over 13 percent.

According to the Bureau of Labor Statistics, in 1981 2.9 million unemployed workers suffered involuntarily joblessness all year long and nearly 20 percent of the labor force experienced some unemployment. Unemployment for black workers exceeds 18 percent with black teenage unemployment at more than 50 percent. During 1982, one of every four workers is expected to suffer some period of joblessness.

These bleak statistics are clear evidence that the economic recovery promised by this Administration is far from becoming reality.

The Reagan Administration's economic policies have resulted in depression levels of unemployment that will continue. Millions of jobs have been wiped out since the recession began. Yet, this Administration demanded and Congress enacted drastic cutbacks in the very programs designed to protect jobless workers and their families from total economic deprivation during periods of recession induced unemployment.

The protections of the unemployment compensation program, particularly for the long-term unemployed, have been drastically eroded as the result of ill-considered restrictions initiated by the Administration and imposed by Congress. The extended unemployment compensation program under which up to 13 additional weeks of benefits are paid to those who have exhausted their regular benefits is severely restricted. The national trigger has been eliminated, and recipients of extended benefits can no longer be included in the calculation of the insured unemployment rate which serves as the trigger for extended benefits in the states.

Because of the change in the trigger calculation, even the state of Michigan, despite depression levels of unemployment, stopped paying extended benefits for 13 weeks. In addition, the mandated exclusion of those receiving extended benefits in calculating the triggers has resulted in extended benefits triggering "off" in state after state in which unemployment is even higher than the national 9.5 percent. Once a state triggers "off," extended benefit payments cease immediately. If the national trigger had not been eliminated, extended benefits would now be available nationwide instead of being paid in only 27 states since the national insured unemployment rate exceeds the required 4.5 percent.

Due to the elimination of the national trigger and the required change in the calculation of state triggers, over 1 million workers will receive reduced extended benefits or none at all in the current fiscal year. As the result of two additional restrictions that will become effective at the beginning of fiscal year 1983, extended benefits will be paid in even fewer states. At the end of September, state triggers must increase by 1 percent even though unemployment at that time could be 10 percent or higher. In addition, jobless workers who exhaust their regular benefits will be required to have 20 weeks of qualifying employment in order to be eligible for extended benefits. The latest figures we have from the Labor Department indicate that because of the restrictions now in effect and the new ones to become effective on September 26 of this year, 3.2 million additional workers will lose extended benefits during fiscal year 1983. However, we understand that the Department will issue revised figures today showing that even this horrendous level will be exceeded. Long-term jobless workers are thus being forced to bear the responsibility for their unemployment which has been caused by economic events over which they have no control. This is the height of injustice.

The Reagan Administration's budget balancing policies as they affect unemployment compensation are pushing millions of unemployed workers to the brink of economic disaster. Over 3 million unemployed workers have exhausted their regular benefits since July 1981. In those states in which extended benefits have been available, over one-half million long-term jobless workers have exhausted these benefits as well. These workers and their families are faced with severe economic hardship as the result of this Administration's cutbacks in the extended unemployment compensation program.

Workers who lose their jobs face a long and painful spell without work and the prospect of losing their unemployment benefits long before they find jobs. Many of those who do manage to obtain employment will be permanently locked into low-paying jobs, thus wasting their skills and forcing their families to adjust to a drastically reduced standard of living.

This situation is even more intolerable because jobless workers are finding that other resources are no longer available to them. Most of those who exhaust benefits and can't find jobs do not qualify for welfare assistance because of harsh restrictions on ownership of homes, cars and other modest assets that workers have been able to accumulate or because they live in states which restrict welfare payments to single-parent families. In addition, many of these workers are also disqualified for food stamps due to the lowered ceiling on the amount of income a family can earn in order to be eligible.

This tragic situation must not be allowed to continue. Immediate action is necessary to forestall economic disaster for millions of long-term jobless workers. The protections of the extended benefit program must be restored and a program of federal supplemental benefits must be enacted.

During recessionary periods with accompanying high rates of unemployment, labor market conditions are such that the period of job search for unemployed workers is much longer than in prosperous times. Because of the severity of this recession and the harsh restrictions on the extended benefit program, an extension of the current 39 weeks maximum duration of unemployment compensation benefits is urgently needed.

In recognition of the necessity for additional weeks of benefits for unemployed workers during economic recession, the Congress has several times in the past enacted legislation establishing supplemental benefit programs. Temporary programs, providing up to an additional 13 weeks of benefits were enacted in 1971 and 1974, bringing the maximum entitlement to 52 weeks. Subsequent temporary legislation increased the maximum duration to 65 weeks through December 1975.

The AFL-CIO has long advocated the establishment of a permanent supplemental benefit program for the long-term unemployed who have had a firm attachment to the labor force which would provide benefits for up to 65 weeks in all phases of the business cycle. We urge you to enact legislation that would provide 26 weeks of benefits in addition to the current 39 week maximum. Such a program should be funded by general revenues as the National Commission on Unemployment Compensation has recommended. Since recession induced unemployment is attributable to government policies and national economic conditions, the federal government should bear the cost of these additional benefits.

The insured rate of unemployment used to trigger extended benefits already has serious defects that will be exacerbated by the required increase in state triggers. The gap between the insured unemployment rate and the official unemployment rate continues to widen. During the 1974 - 1976 recession, the gap averaged 3 percent. This differential has increased to almost 5 percent. Once the increase takes effect in fiscal year 1983, extended benefits will not be available until the official total unemployment rate is near 11 percent. The AFL-CIO has for many years urged substituting for the trigger approach of unemployment insurance an assurance of benefit payments combined with appropriate vocational training and guidance for all long-term unemployed workers. If the trigger approach is continued, the state triggers, therefore, should be lowered.

We regret that the Committee on Ways and Means of the House of Representatives has approved, as part of its consideration of legislative changes required by the budget reconciliation process, the taxation of unemployment compensation benefits at even lower income levels than under present law for the purpose of financing 13 weeks of supplemental benefits for those who exhaust their regular and extended benefits. The AFL-CIO has always been opposed to taxation of unemployment compensation benefits because the imposition of such a tax subjects these benefits to a means test. In addition, this taxation provision, if enacted, would be permanent, while the program of supplemental benefits would be temporary. We are pleased that S. 2550 provides for financing of supplemental benefits from general revenues and urge you not to consider further taxation of unemployment compensation benefits as a means of funding a supplemental benefit program.

The AFL-CIO is convinced that unemployment remains America's number one economic problem. Organized labor has consistently advocated and supported legislative efforts to establish jobs and put people back to work. We still favor this approach to solving the problems of joblessness, but until the goal of full employment is achieved, a federal supplemental benefit program to provide up to 65 weeks of unemployment compensation benefits, financed with general revenues, is urgently needed by the large numbers of jobless workers and their families who need its protection. We urge the Congress to take immediate action to enact such a program.

Senator HEINZ. Mr. Seidman, Mr. McGlotten, thank you very much.

Ed Sherman.

STATEMENT OF EDWARD A. SHERMAN, MANAGER, PENNSYLVANIA KEYSTONE JOINT BOARD, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION, AFL-CIO, ALLENTOWN, PA.

Mr. SHERMAN. Thank you, Senator.

I appear before this distinguished body of Senators today to try and convince you that action must be taken on one of two Senate bills: S. 2550, introduced by Senator John Heinz III of Pennsylvania, and S. 2542, introduced by Robert Byrd of West Virginia.

The facts that I am about to give you today become old and useless each week that goes by as the situation becomes more and more critical.

In the month of April 1982, 13,362 Pennsylvanians exhausted their unemployment benefits. In the month of May 1982, an additional 15,052 Pennsylvanians exhausted their unemployment benefits. This is a total of 23,414 Pennsylvanians who must now be frantic as they have no compensation, and unless you do something here in Washington, they will become more and more desperate as time goes on. These figures are the latest ones available; the month of June will in all expectations be much worse:

One, right now in the State of Pennsylvania there are over 172,000 workers who have exhausted their unemployment benefits.

Two, right now in the State of Pennsylvania there are over 1 million workers unemployed, with no expectation of finding work soon.

To help put this into focus, as we sometimes look and hear about figures and they become so common that we have a tendency to gloss them over, I would ask you and the citizens of Pennsylvania who are employed to walk through the cities of Pittsburgh, Allentown, Harrisburg, and Scranton. Look at every man, woman, and child in these cities on that day, and consider them unemployed. That will show you what over 1 million of unemployed people are.

What effect does unemployment of this magnitude mean to both the Federal Government and the State government? It means that both legislative bodies will be faced with a much higher crime rate. In 1981 in Allentown, Pa., the crime rate rose 13.8 percent over 1980. Rape increased 47.6; thefts, 19.5. Robberies or theft from persons increased 13.4. Burglaries increased 3.5, and assaults increased 6 percent.

Although there are no statistics available as to how many of these crimes were committed by unemployed citizens, it certainly can be stated that some of them were a part of the 172,000 unemployed persons who had exhausted their benefits and had become desperate.

It can only mean a greater disruption in the American family—domestic quarrels, divorce, child abuse, and the breaking up of thousands of families.

To give an example of what this trauma is, for every 1-percent increase in unemployment, according to a Michigan State University study quoted in the "Allied Industrial Worker," 38,886 more deaths occur than normally would be expected; 20,240 more people have heart attacks; 494 more people die of cirrhosis of the liver caused by alcohol abuse; 920 more people commit suicide; 648 more people are murdered; 4,227 more people enter mental hospitals; 3,340 more people spend time in State prisons; spouse and child abuse rises measurably as well, the study found.

The statistics cited here are for every 1-percent increase in unemployment. Between 1979 and 1982, the newspaper notes, there was a 3-percent rise in joblessness, which would triple these figures.

In our city recently, the city of Allentown, a man who was despondent over being unemployed and who had served his country in Vietnam attempted to kill his wife. He severely wounded her, and then pointed his weapon at the police. After wounding the police chief, he was killed in a blaze of gunfire. The chief reason for this depression as stated by the local news media was his recent layoff and the fact that he had no prospect for future employment. How many more are there who are reaching the point of desperation?

Unemployment in the textile and apparel industry is an unheard of 14.1 percent. These unemployed are not living in a vacuum. They see the President of the United States giving Lebanon $60 million without any hearings such as we have here today.

We have always been a charitable nation, but the time is now for this Government to become what its forefathers meant it to be: A government of the people, for the people, and by the people.

I want to thank you for listening to my testimony.

Senator HEINZ. Ed, thank you very much for your testimony.

One of the subjects that was raised earlier when the administration testified was whether or not there should be some targeting, some needs testing. The administration said that they were against any extension of benefits because they didn't go to the neediest.

Mr. Seidman, what would you say to that criticism?

Mr. **Seidman**. We are not in favor of means testing any social insurance program, and certainly we are not in favor of introducing the means test in the unemployment insurance program.

Workers are entitled to unemployment insurance on the basis of their past record of employment. It is no fault of theirs that the economy is in the shambles that it is and that they are unemployed.

We think that it's important that there be some way that people are not forced to reduce their living standards to poverty levels just because they are unemployed and because of the state of the economy; and, therefore, we think that the supplemental programs should be introduced without any means testing.

Senator **Heinz**. Well, it has been by both myself and Senator Byrd, as you know. I suspect there will be people who will say, "Well, why don't you target it just to those families that don't have a wage earner? Those families that do have a wage earner, well, they have had the benefit of their so-called first 39 weeks, their so-called earned benefits. This is paid," some people will say, "out of general revenues. Why not just give it to those families who don't have any wage earner in it?" How would you respond if someone said that?

Mr. **Seidman**. Any family which has gone through unemployment for three-quarters of a year, and has perhaps missed mortgage payments or has had great difficulty paying the rent, putting food on the table, that family has already seen a very severe reduction in living standards even if there is another wage earner.

Unemployment insurance is paid because of the previous work of a particular worker. And if that worker was employed and is entitled to unemployment insurance and there are no jobs, and that's what the present situation is, then we think that unemployment insurance should continue to be paid without regard to whether somebody else in that family does or does not hold a job.

Senator **Heinz**. It is my experience, and I know it is Ed Sherman's, that there is a lot of unemployment. You ought to come up to Pittsburgh any time, and you will see a lot of steelworkers—as I pointed out to Mr. Cogan—who have no jobs. In Pennsylvania, the State regulations require you to look for work. You have to have an interview every week; you have to make at least two or three telephone calls on top of it. And in spite of all that effort, I suppose you could say it's good for A.T. & T. and General Telephone, but it hasn't to my knowledge produced much in the way of results.

Yet there are people who say that this extended benefits program is a "disincentive" to work, that somehow they should go someplace else and find jobs if there aren't any in Pittsburgh or there aren't any in Pennsylvania, that they should go to Texas or some other Sun Belt State. What do you say to that, Mr. Seidman?

Mr. **Seidman**. Well, it's not only what I say to that, but it's what the State of Texas has said to that. As you know, Senator, unemployment is rising in Texas. It's not quite yet at the national level, but it is increasing. Texas says that they have no jobs for people who come from other States, and they are urging them not to come to Texas.

Senator **Heinz**. What do they call those people down there?

Mr. **Seidman**. I'm trying to remember the term that they use.

Senator HEINZ. Texas has a very pale colored license plate; I think it's white.

Mr. SEIDMAN. "Blue-plates."

Senator HEINZ. They call them either "blue-plates" or "black-plates." "Black-plates" if they are from Michigan; "blue-plates" if they are from Connecticut. And the case from Pennsylvania, I guess we're "yellow-plates." Or "black-tags" as the case may be if you're from Michigan.

There are a lot of black-tagged cars stranded down there, because people who took their savings from Michigan or from other States and went down there took everything they had. They went down there—no job, and they are stranded.

Is that your experience?

Mr. SEIDMAN. You are quite right. Many of them have children; they don't know where to turn; they are unable to find any place where they can live. There is no welfare program in Texas which is available to those people, and if they are not eligible for unemployment insurance on the basis of their previous work, then they are really high and dry and have great difficulty even returning to where they came from.

Senator HEINZ. Now, yesterday I introduced some amendments to my original bill, S. 2550, dealing with what would be the racheting up of the insured unemployment rate, dealing with the fact that right now under current law we do not count those people who end their basic benefits, when we are computing the insured unemployment rate.

What is the AFL-CIO position on those two changes?

Mr. SEIDMAN. We strongly opposed the change in the formula. It was originally proposed, as a matter of fact, under the Carter administration, and we fought it in the courts successfully. We strongly oppose the change in the formula which is now included in the law, and we would strongly support the provision in your bill which would restore the original formula.

We see no basis whatsoever for the exclusion of unemployed workers, particularly if they have been unemployed a very long time, from determining whether or not the extended benefits or the supplemental benefits would trigger on.

Senator HEINZ. So first, if I understand your testimony in sum, in sum you do endorse, along with Senator Byrd's bill, I suppose, my bill. I understand you endorse my bill and second you endorse the changes I proposed in my bill.

Mr. SEIDMAN. That is correct.

Senator HEINZ. Very well.

Mr. SEIDMAN. We would go further, but we certainly endorse your bill and urge its immediate enactment.

Senator HEINZ. Mr. Seidman, thank you.

My time has expired, and I noticed the chairman of my committee is back—as a matter of fact, he got the gavel back very skillfully.

Senator LONG. Let me just say this, Mr. Seidman. I am concerned about the uneven nature of this thing. I understand that about 28 States would get in on this thing, and the other States would not. It seems to me that that is unfair, that in the State that's in it you would have situations where the husband may have a job making $30,000 a year, the wife making $15,000. Let's say if the wife lost her job, they'd still have $30,000 a year income for the family in the State that gets it. Then you take another State that's not in on it, and let's say you just have a woman making $15,000 who loses her job. She doesn't get anything. She gets the 26 weeks, but then that's the end of it.

That doesn't seem to me to be fair. It seems to me what I think is fair for these extended benefits, that we look at that a different basis from how we look on the base benefit.

While I very much differed with the previous witness, as I'm sure you could see, I do have doubts about whether we ought to spread our money in such a way that families that have $30,000 of income are drawing these extended benefits.

Now, I heard you state your position, and I'm sure that, that being the position of the American Federation of Labor, you aren't going to vary from it. But I, for the life of me, can't quite see why when a family is still at three times the poverty level we ought to provide extended benefits for them.

Mr. **Seidman**. Well, Senator Long, as I said, we are against introducing the means-testing idea into unemployment insurance or any other form of social insurance which we sharply distinguish from welfare programs, which are based on need.

The eligibility for all social insurance programs is based on previous employment and not on need, and we think that that's a very important distinction, that the welfare programs should be programs of last resort, and that we should not introduce the welfare principles of means testing into the social insurance programs.

But you made another very important point, and that is that along with the other changes that have been made to cut back on the unemployment insurance program in ways which we consider to be entirely inappropriate, particularly with such very high levels of unemployment as we have in this country today, is that the so-called national trigger was abolished, which means that although unemployment is a national phenomenon, it results from national policies, it is something which is confronting the Nation as a whole, these States trigger on in very peculiar ways, one by one, and they also trigger off under very peculiar ways, one by one. One of the things we are finding is that because of the restrictions which have been introduced—and also, I will have to confess, for reasons which none of us have been able to quite determine—there has been an increasing divergence between the total unemployment rate and the insured unemployment rate, which means that you have to be at higher and higher total unemployment rates before the insured unemployment rate will trigger on in a State, or that would be true in the Nation as a whole.

So, we also feel that the increase in the insured unemployment rate which will go into effect on September 25 will also have an extremely devastating effect. It's a time bomb which is ticking now, and I don't think people realize how serious it will be.

Senator **Long**. Well, I'm concerned about the fellow who is always unemployed the minute deer hunting season opens. When the deer season opens, he's unemployed. After deer hunting season is over, then he's back available to work again. Just go look at the pattern. Every year when deer season opens he's unemployed, drawing the benefits; and then when the deer season closes he's back on the job again. And I really don't think that that program ought to be one to pay workers to hunt deer.

Mr. **Seidman**. We don't think it ought to be paid to anybody who is deer hunting. If you're deer hunting you should be on vacation, and take it on vacation time if you have time coming to you. We don't think anybody who is deer hunting is entitled to unemployment insurance. We think the law should be enforced. If people are not available for employment, then they should not be paid unemployment insurance. That is a principle that the labor movement has adhered to for a long, long time, and we continue to do so.

Senator **Long**. Did you see that program, I think it was 60 Minutes some time back, where they showed situations where people appeared to be ripping off the program?

Mr. **Seidman**. We think that's wrong. And you won't be able to deal with that very effectively if you cut back on the funds that are needed for an effective employment service. And that's what has been happening. We think that the employment service should be effective, and it should be able to deal with these situations.

Senator **Long**. Thank you.

The **Chairman**. I think that was the "60 Minutes" program that showed a lot of people headed south in the wintertime from colder States to play golf.

Now, do you have the same policy as far as strikes are concerned? Do people on strike receive unemployment benefits?

Mr. **Seidman**. We believe that after a period of 6 or 7 weeks, whatever would be the normal period of unemployment, that the reason for strikers being unemployed, if it ever was a voluntary situation—because strikes are not simply caused by unions; they are also caused by employers—but if it ever was a voluntary situation, it no longer is. It is attributable to the economic conditions, and therefore we do believe that strikers after at most a period of 6 to 7 weeks should be eligible for unemployment insurance on the same basis as anybody else; that is, they have to be available for work and take suitable jobs that may be offered to them.

The fact of the matter is, however, that there are only two States in the Union—this is something that is determined at the State level; it is not something which either is or should be determined at the Federal level—and there are only two States in the Union where strikers under any circumstances can get unemployment insurance: New York and Rhode Island.

The **Chairman**. I missed part of the questioning. I understand you may have covered some of the other questions.

So, I appreciate very much your testimony. We hope we can address this problem quickly, if we can find some consensus on the committee. You may not totally agree with what we do, but we are going to try to address the real problem, and try to do it as expeditiously as possible.

Mr. **Seidman**. Well, we are very glad to hear that you are moving in that direction, and if we can be of any help, why, please let us know, Mr. Chairman.

The **Chairman**. Senator Heinz.

Senator **Heinz**. I've already asked my questions, Mr. Chairman.

The **Chairman**. Thank you very much.

Mr. **Seidman**. Thank you.

The **Chairman**. Next we have a panel of three witnesses: Eric Oxfeld, employee benefits attorney, Human & Community Resources Division, Chamber of Commerce of the United States; Libby Leonard, deputy administrator, Oregon Employment Security Agency, Salem, Oreg.; and Dr. Frank Brechling, Department of Economics, University of Maryland, College Park, Md.

Following that, we have one final panel. I would suggest to the witnesses, because of the lateness of the hour, if you could place your statements in the record and summarize, it would be very helpful to the committee.

How do you want to proceed—in the way your names were called?

Mr. **Oxfeld**. The way we're listed.

STATEMENT OF ERIC J. OXFELD, EMPLOYEE BENEFITS ATTORNEY, HUMAN & COMMUNITY RESOURCES DIVISION, CHAMBER OF COMMERCE OF THE UNITED STATES, WASHINGTON, D.C.

Mr. **Oxfeld**. My name is Eric Oxfeld. I am the employee benefits attorney for the Chamber of Commerce of the United States, and I ask that our printed statement be entered into the record of these hearings.

The chamber applauds this committee for giving taxpayers an opportunity to comment on the issue at hand, which we note is a departure from your recent practice.

I am appearing on behalf of the chamber's more than 256,000 members to express our views on further extensions of the duration of unemployment compensation, which we think would be detrimental to the existing program, especially if financed through taxing benefits.

Frankly, we are disappointed that the proposals presently before the Congress focus on simply extending benefit duration without addressing the need for intensive job-placement activity or retraining.

We share the committee's concern for assisting the jobless. The business community strongly supports the unemployment compensation program which is financed by State and Federal payroll taxes paid by employers.

State taxes pay for regular unemployment benefits and half of extended benefits, and State taxes are distributed so as to provide incentives for employment stabilization and to facilitate the active interest of employers in the program. These objectives are accomplished through experience rating, which operates to decrease taxes for employers with records of stable employment, and to increase taxes for employers with poor records.

The costs of program administration and placement services plus half of the cost of extended benefits are financed through the Federal Unemployment Tax Act, or FUTA, which is paid by all employers nationwide at the same rate under normal circumstances.

The unemployment compensation program has been an overwhelming success since it was established as an outgrowth of the Social Security Act. It has functioned well in both good times and bad. In recent years, however, the unemployment trust fund has run up huge deficits that we believe threaten its viability. We believe that reviving the FSB program could further undermine the solvency of the existing unemployment compensation program.

Unemployment compensation was designed to provide income support for unemployed individuals with relatively short periods of unemployment, thus it is ill equipped to meet the needs of the longterm and the structurally unemployed.

The business community recognizes that in times of economic recession there is need for extending the duration of unemployment benefits. Under the extended benefit, or EB, program which was established in 1970, duration is automatically extended during periods of relatively high unemployment; 3 extra months of benefits are payable to claimants who are still out of work after exhausting the 6 months of regular State benefits.

EB is funded equally from State and Federal unemployment compensation tax revenues, but FUTA receipts have never been sufficient to pay for the Federal share of EB. Repayable advances from Federal general revenues, therefore, have been used to pay for the existing extended benefits.

Despite the shortage of funds to pay for EB, in late 1974 Congress established the FSB program which provided, at first, 13 more weeks of benefits to be paid entirely from FUTA taxes. Later, still another 13 weeks were added, bringing the total weeks of benefits to 65, or a year and a quarter.

From its inception until July 1, 1977, FSB was financed through repayable advances from the general fund of the Treasury because there were no FUTA revenues available. Thereafter, and continuing until it expired in the beginning of 1978, FSB was financed directly out of Federal general revenues.

The pattern set by FSB and EB—that is, legislating benefits without providing a means of paying for them—has contributed to the present indebtedness of the unemployment trust fund, which is a problem of ongoing concern to us, and one which Senator Heinz has exercised great leadership in attempting to address last year.

The trust fund owes the Treasury, as Mr. Van Erden said this morning, a little over $7 billion for FSB and the Federal share of EB, of which nearly $6 billion is due to FSB obligations incurred before July 1, 1977. A FUTA surcharge on all employers has been assessed to repay these loans—assessed, I believe, in 1978.

Another $7.8 billion in Federal advances to States who have run out of money to pay benefits is also outstanding.

The protracted payment of benefits undoubtedly is a factor contributing to the financial problems of the unemployment compensation system. Economic studies show that extending the potential duration of benefits is an inducement for claimants to draw benefits longer, while efforts to find employment are postponed.

Experience with FSB illustrates the problems of extending benefit duration to relatively long periods.

UC, in addition to providing short-term cash assistance, is intended to also provide job market services designed to aid in pursuit of reemployment. Unfortunately, the heavy claims load and longer availability of benefits as a result of FSB limited the ability of the administrative agencies to provide these supplementary services. Even after suitable-work and job-search requirements were added to FSB, sizable numbers of claimants neither sought work nor accepted offers of reemployment. The GAO reported that less than 1 percent of the registered claimants lost their benefits for failure to comply with the work test. The reason was that State agencies lack resources for enforcement.

If an additional extension of UC is enacted, it should be carefully designed to avoid undermining the existing UC system.

Any long-term program should not institutionalize benefits for individuals who are able to work. After 9 months a claimant should clearly demonstrate a continued strong attachment to the labor force. To qualify for extra weeks of benefits, it is equitable to limit eligibility to individuals who have worked longer than the minimum needed to qualify for existing unemployment compensation. Only 20 weeks are required now in order to receive extended benefits.

Senator HEINZ. I am going to have to ask you to put the rest of your statement in the record. I apologize, but the time is running so short. We will put it in the record, and it will be available to all members. We are losing members of the committee to other commitments.

Thank you very, very much, Mr. Oxfeld.

Ms. Leonard.

STATEMENT OF MS. LIBBY LEONARD, DEPUTY ADMINISTRATOR, OREGON EMPLOYMENT SECURITY AGENCY, SALEM, OREG.

Ms. LEONARD. Mr. Chairman, I am Libby Leonard, deputy administrator of the Oregon Employment Security Agency. I would like also to have my written testimony put into the record, but I would like to add to that some of the perspective of Oregon, which has the dubious honor of being one of the five highest States in unemployment in the Nation.

Senator HEINZ. Without objection, your entire testimony will be a part of the record.

Ms. LEONARD. Thank you. I am today representing the views of the Interstate Conference of Employment Security Agencies, a conference of the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands in regard to this proposed extension of benefits.

I would like to make four points: Do we need it? What will it do? Can it be controlled? And, how can it be structured?

In the "do" we need it area, we have been in a long recession, which is not expected to abate in many States including ours in the near future.

Oregon has been in a back-to-back recession, two of them, since April 1980. We have had double-digit unemployment for 8 months, and we are now at 11 percent.

We have exhaustees of extended benefits, and exhaustees of two unique special extensions that we have had in our State, proposed by Governor Atyeh and passed by our legislature. These extensions were paid out of our benefit trust fund by employer taxes. Now, this has been necessary in our State, and we feel we still have a need for a Federal extension.

All States may not need an extension, but those of us who are having the same kinds of problems do. As in Michigan, Oregon

State reserves for other kinds of help, our resources in welfare and so forth are sadly depleted, and the Oregon budget is in trouble as far as the State general fund is concerned.

What would this extension do? It would support these exhaustees and allow them to hang on a little while longer. It is not the answer to long-term unemployment. You have other antirecession measures for that.

Some of these people cannot move; they cannot sell their houses; there is no market for a house in this economy.

It would stabilize the communities—the grocery stores, the drugstores, the gas stations—because that extra money just flowing into those communities allows them to keep going a little bit longer.

And it would retain a skilled workforce. All of our people are looking for work. They want to go back to work. They are trying to find stopgap work, but they want to go back to their regular employer as soon as the economy turns around.

Oregon is experiencing out-migration. We have had a tremendous change from in-migration to out-migration in the last few months. And, incidentally, we have blue and yellow license plates—I hadn't heard that before.

Can the payment be controlled so it is not a giveaway program? You have heard comparisons with the old FSB program, but you did not hear of the differences between what you are proposing and that other program.

First of all, FSB had a national trigger—every State triggered on. Second, that recession was different than this one; there was a very fast escalation into that recession. Third, the goal that we in the States received in the old FSB program from the U.S. Department of Labor and from that administration was: "Get the money out there." And that is all we were told. We did our job very well. In restrospect, we achieved the goal of getting the money out there but at the cost of credibility of the system.

After that program, we looked at how we paid those benefits. We worked up an eligibility-review program, and in our State we verify the work search of people who are drawing unemployment. We have raised our placement of claimants to 33 percent of all of our placements are unemployment insurance claimants.

When you talk about how it should be structured, I agree with many of the prior speakers, that we hope, and ICESA supports the concept that it should be funded with general funds as it is a national problem, both for administration and benefits.

We do not agree that there should be any further restrictions beyond those already present in the EB program. We do not agree that there should be a needs program.

The EB program is tightly restricted. People must look for work, and they must take minimum wage jobs.

We hope that you will pay careful attention to a trigger mechanism. The one that's been proposed will not work in Oregon. We are going to trigger out of EB October 1, although our seasonally adjusted unemployment rate will be around 10 or 10½ percent. It does not make sense.

The trigger which did make sense in the economic climate in which it was developed does not work today.

We hope that there will be some way that you can do this so that it will not require changes in State EB laws. We don't have time to go to our legislature and get a State law changed, and we do think that the EB exhaustees should be counted in the trigger mechanism. They are not counted for the purpose of the EB trigger.

The Interstate Conference appreciates your consideration of this extension, and we stand ready to efficiently administer whatever program is approved.

Speaking for Oregon, I appreciate your hearing me today.

Senator HEINZ. Thank you very much, Ms. Leonard.

Dr. Brechling?

STATEMENT OF DR. FRANK BRECHLING, DEPARTMENT OF ECONOMICS, UNIVERSITY OF MARYLAND, COLLEGE PARK, MD.

Dr. BRECHLING. Mr. Chairman, my name is Frank Brechling, and I am a professor at the University of Maryland. I specialize in labor economics, and over the past 8 years or so I have done work mainly on the unemployment insurance system in a rather esoteric setting; I don't go and interview people, but I study statistics and build little models.

I have also followed the work of many of my colleagues in this area, and I will try to give you an impression of the kind of findings, an overall view of the kind of findings, that we have been able to come up with. I will emphasize the financing side of the scheme, because I think the financing aspects of unemployment insurance have generally been underrated, underestimated, in their importance.

On the benefits side, I think economists have become increasingly aware of the fact that unemployment insurance and similar social programs have undesirable side effects that are found to be nonnegligible. Thus, increases in unemployment benefits tend to increase both layoffs and unemployment duration, and thus lead to increases in unemployment.

Now, that doesn't necessarily mean that unemployment insurance is a bad thing; all we want to point out is that there may be side effects which, if possible, ought to be countered by some policy measures.

Similar side effects have been found, too, in various financing methods. In most States the unemployment insurance payroll tax is partially experience rated. Experience rating means that the firm's tax rate rises when the benefits drawn by its own ex-employees rise. This means that employers who regularly lay off a large proportion of employees pay higher taxes than stable employers. Experience rating, thus, internalizes the cost of unemployment to individual firms; hence, it affects the behavior of firms. They have an incentive to maintain stable employment levels in order to reduce their unemployment insurance taxes.

While these advantages of experience rating have been recognized for a long time in theory, only recent empirical research suggests that experience rating is a powerful device which reduces layoffs, unemployment duration, and hence, unemployment. In other words, in States where we do have high degrees of experience rating, we observe in industry-by-industry comparisons substantially lower layoffs, and as well as substantially lower unemployment durations.

Experience rating is only partial, mainly for two reasons: first, there are many benefit payments that are charged to an individual employer; and, second, the tax schedules have maxima and minima—so there are tax rates which reach maxima and minima—at which experience rating stops. Empirical research suggests especially that increases in the maximum tax rates lead to substantially increased employment stability.

I now turn to the financing of extended benefits. Fifty percent of extended benefits, as done presently, are paid for out of the Federal Trust Fund which is financed by a general noncharged Federal tax; namely, the FUTA tax. The other 50 percent is financed out of State trust funds. In 18 States, however, extended benefits are not charged to individual employers. Consequently, a very high proportion of the existing extended benefits are not charged to employers. As a consequence, the significant employment stabilizing effects of experience rating are much reduced in the case of extended benefits.

The same argument applies to any general non-charged tax, such as, say, the income tax, or any financing out of general revenues. It does not give firms an incentive to reduce their layoffs or to curtail the unemployment duration.

An increase in unemployment benefits or a lengthening of the maximum benefit period would most probably lead to an increase in unemployment. Estimates vary, but people have come up with numbers of 1 or 2 percentage points.

I am not saying that all of our unemployment problems are caused by unemployment insurance. That is just not true—obviously not. But there is a marginal effect. That is what we have been able to find.

Given that increased benefit periods would lead to an increase in unemployment, we could possibly offset what I regard as an undesirable side effect by making the existing tax structure more experience rated. And this would mean that the higher proportion of the taxes should be charged to individual employers, and the range between maximum and minimum tax rates ought to be widened. This latter, of course, is subject to State law and not Federal law.

Thank you, Mr. Chairman.

Senator HEINZ. Dr. Brechling, thank you.

Members of the committee may wish to submit questions to you in writing, and I hope if you can you will respond to them. But at the present time we have no questions.

Thank you all very much. We appreciate it.

[The prepared statements of the previous panel follow:]

PREPARED STATEMENT OF ERIC J. OXFELD

My name is Eric J. Oxfeld. I am Employee Benefits Attorney for the Chamber of Commerce of the United States. I am appearing on behalf of our more than 256,000 members in opposition to further extensions of the duration of unemployment compensation (UC) benefits.

Several bills extending UC benefits to 52 weeks have been referred to the Finance Committee, including S. 798, S. 2542, S. 2550, and S. 2637. In addition, the House Ways and Means Committee has twice approved a similar benefit extension, first as a provision of H.R. 6369, and then as a provision in their budget reconciliation proposal. While slightly different, all would require payment of up to 13 additional weeks of benefits to individuals who are unemployed and who have exhausted the 39 weeks of regular UC and extended benefits (EB) provided by current law.

In our view, such an extension would be unwise, unaffordable, and unnecessary. Moreover, we are dismayed that the proposals presently before the Congress show no sign that any lesson has been learned from the experience with the Federal Supplemental Benefits (FSB) program, which ultimately paid 65 weeks of UC before it expired in 1978.

BUSINESS SUPPORTS UNEMPLOYMENT INSURANCE

As a major spokesman for the business community, the U.S. Chamber has had a long standing interest in, concern about, and support for the UC system. Unemployment insurance is designed to serve the needs of involuntarily jobless workers by providing cash benefits during periods of temporary unemployment, with the cost of those benefits being treated as a cost of doing business.

The UC system is financed by state and federal payroll taxes on employers. Regular UC and one-half of extended benefits are financed through state taxes, which are distributed so as to provide incentives for employment stabilization and to facilitate the active interest of employers in the program. These objectives are accomplished through experience rating, which operates to decrease taxes for employers with records of stable employment and increase taxes for employers with poor records.

The costs of program administration and placement services, plus one-half of extended benefits, are financed through the Federal Unemployment Tax Act (FUTA) tax, paid by all employers at the same rate.

A fundamental objective of an unemployment insurance program is to operate as a countercyclical balance during periods of economic recession. UC sustains the purchasing power of individuals who are out of work, cushioning the decrease in demand for goods and services and thereby preventing secondary or tertiary levels of unemployment. It also helps employers retain skilled labor during temporary layoffs. For these reasons, UC is beneficial to employers as well as employees.

KEEP THE SYSTEM SOLVENT

The UC program has been an overwhelming success and has functioned well in both good and bad times. In recent years, however, the system has been troubled by the inability of certain states to meet their benefit obligations. Ad hoc increases in amount and duration of benefits without corresponding increases in funding have put the system out of balance in some states, and the problem has been compounded by two federal programs (one now defunct) extending the duration of benefits during periods when unemployment levels are high. The legislation before this Committee would revive the defunct federal program and would further undermine the solvency of the UC system.

FEDERAL PROGRAMS

Until 1970, state UC tax receipts were used to finance benefit payments. At that time, the EB program was established by which an additional 13 weeks of benefits became available whenever state unemployment levels met certain triggers. EB is funded equally from state and federal UC tax revenues. Between 1971 and 1974, Congress liberalized these triggers on several occasions (last year Congress raised the triggers, effective October 1, 1982).

Finally, in late 1974, Congress approved the FSB program, which provided an additional 13 weeks of benefits to be paid entirely from FUTA taxes. Later, another 13 weeks were added, bringing the total weeks of benefits to 65.

Since no FUTA funds were available for the FSB program, repayable advances from the general fund of the Treasury were used to finance FSB from its inception until July 1, 1977. Thereafter and continuing until it expired in March, 1978, general revenues were used to finance FSB benefits.

The pattern set by FSB and EB--legislating benefits without paying for them--has contributed to the present indebtedness of the Unemployment Trust Fund to the Treasury, a problem of ongoing concern to us. The Treasury has made advances totalling $7.5 billion to provide FSB and EB, of which $5.8 billion is due to FSB obligations incurred before July 1, 1977. A FUTA surcharge on all employers has been assessed to repay these loans. Another $7.8 billion in federal advances to states is also outstanding.

EXTENSION OF DURATION

UC initially was conceived as a social insurance system that would provide income support for unemployed individuals during relatively short periods of unemployment. The U.S. Chamber fully supports this basic concept. We have consistently stated that the UC system is ill-equipped to meet the needs of the long-term and the structurally unemployed.

We recognize that in times of economic recession there is need for extending the duration of unemployment benefits. Under the EB program duration is extended during periods of relatively high unemployment. Three extra months of UC are payable to claimants who continue to be out of work after 6 months. That should be the maximum responsibility for the nation's UC program. While there may be a need for a benefit program for longer term unemployment, we question whether it is appropriate to provide long-term benefits without mandatory job search and training assistance.

Economic studies have repeatedly demonstrated that extending the potential duration of benefits is an inducement for an individual claimant to draw benefits longer; serious efforts to find employment may be delayed until benefits are nearly exhausted. Extending duration, therefore, would further strain the regular state programs, which already are in financial distress.

The example provided by the FSB program is illustrative of the problems of extending benefit duration to relatively long periods of time. With the advent of the FSB program and its resultant 65 weeks of income support, UC developed into something very much like welfare, with many of the same bureaucratic flaws and abuses, and it became a disservice to employers and many employees.

UC is an important component of our national employment and training and related human resources services. In addition to providing short term cash assistance, UC provides job market services designed to aid in the pursuit of reemployment. Unfortunately, the heavy claims load and the longer availability of benefits as a result of FSB inhibited the state administering agencies from providing these supplementary services. Hence, most FSB claimants exhausted their benefits without finding jobs.

The U.S. Chamber believes that we must increase the opportunities for individuals able and willing to work, and seeking work to prepare for and find employment. If a new program is necessary, it must be carefully designed to serve that end without undermining the UC system, as was the case with the FSB program and would be the situation if duration were increased. Based on this perception, we suggest that a better program, and one which might draw business support, would factor in the following considerations:

1. Preserve the Regular Program

A special long-term benefit program must be designed to operate in a way that does not weaken the regular UC system. Ideally, it should supplement UC and act as a bridge between UC and federal employment and training programs (see discussion under section 3, below).

UC functions reasonably well in delivering benefits to individuals whose unemployment is of relatively brief duration, but the system cannot be expected to bear the burden of national economic ills. The availability of benefits for up to a year reduces incentives to find suitable employment. The strain of administering the heavy claims load may prevent state agencies from fully serving the needs of individuals receiving regular or extended benefits and from providing job search, training, and related services to all claimants.

2. Financing From Federal General Revenues

Employers should not bear the burden of financing the program. Federal general revenues are a more appropriate source of funds for cash benefits and administrative costs. A philosophical underpinning of the UC program is that short-term unemployment may be part of the cost of production and should be reflected in the price of the product, but long-term unemployment and special job search assistance are not predictable product costs. It is unfair to require employers to pay for long-term unemployment, which is caused by economic circumstances beyond their control. Society as a whole should bear those costs.

The policy must be clear that any long-term assistance program is to be financed in full from general revenues. Even with a clear policy, there is no guarantee that later Congesses, tempted by a net surplus in the employer-financed UC trust fund, will not change that policy. That is precisely what Congress has done in financing non-UC-related functions of the U.S. Employment Service out of FUTA revenues.

3. Job Assistance, Not Welfare

Any long-term program should not institutionalize unemployment benefits for individuals who are able to work. After 9 months, a claimant should clearly demonstrate a continued strong attachment to the labor force.

To qualify for extra weeks of benefits, it is equitable to limit eligibility to individuals who have worked longer than the minimum needed to qualify for UC (federal law requires only 20 weeks of work to receive 39 weeks of regular and extended benefits). Job search requirements should be strengthened and strictly enforced, and a more stringent test of "suitable work" should be applied. Benefits should not be available to individuals who quit their jobs, are fired for misconduct, or are out of work because of a labor dispute.

Even after suitable work and job search requirements were added to the FSB program, studies revealed that sizable numbers of claimants neither sought work nor accepted offers of employment. Although the law required disqualification, the General Accounting Office reported that less than one percent of the registered claimants lost their benefits for failure to comply with the work test. The reason was that the state agencies lacked adequate resources for enforcement.

In line with a realistically redefined concept of suitable work, and an effective enforcement mechanism, an intensive job placement program should be implemented to assist individuals unable to find work. Those who need to acquire new skills should be directed to retraining programs. Continued payment of cash assistance after regular and extended benefits are exhausted should be conditioned on mandatory participation in job search or retraining programs.

The U.S. Chamber consistently has supported provisions in the new employment and training legislation that encourage states to provide training for those joblosers whose skills must be updated in order to find new jobs. Federal law now prohibits use of state UC work search requirements to disqualify claimants while in approved training. Nevertheless, few individuals have taken advantage of training opportunities, in part because the existing 9-month availability of UC benefits discourages workers from accepting permanent changes in the job market. Any further extension of benefits without mandatory job search or retraining requirements will postpone adjustment to their situation and defeat the intent of the new employment and training measure.

Moreover, any new, long-term benefit program should be set up on an experimental basis, with a definite termination date, as the FSB program had. In addition to the experience gained from the experiment, changes in the economy and composition of the labor force and other factors may affect the need for--and bounds of--future long-term programs. Certain industries now find that help is in short supply; continued payment of extra weeks of benefits would be a strong work disincentive as the nation enters a period when demographic projections forecast a skilled labor shortage.

4. Limited Duration

The duration of the program should be no more than 13 weeks. The longer benefits are payable, the more the program resembles welfare, and public support for the UC system weakens.

5. Operate Only During Emergency

The program should trigger on only when statewide unemployment rates are at truly "emergency levels"--and any level below 7 percent insured unemployment rate probably is insufficient. In today's economy, the higher rate is more realistic because other sources of income are more widely available, e.g., income from a second wage earner or an unreported job in the "underground economy."

We oppose the use of a national trigger because it is inequitable to pay added benefits in a state where jobs may be plentiful.

We are not convinced that the climate is ripe for implementation of a long-term benefit program, just as the economy begins pulling out of recession. A decline in unemployment rates already is under way in many states. For example, seven states have stopped paying extended benefits in the last few weeks because new claims are down.

CONCLUSION

The federal-state partnership that characterizes the UC system has worked well to provide a public system of insurance against short-term, involuntary unemployment. An existing system pays an additional 3 months of benefits when unemployment levels are high. A program paying benefits for even longer-term unemployment has been tried in the past, creating many problems. A large debt accumulated by that program has yet to be repaid.

Insured unemployment rates under the UC program now show signs of improvement as new claims decline. However, if unemployment levels rise to the point that an additional, long-term benefit program is necessary for individuals who are out of work after 9 months of regular and extended benefits, it should be designed so that the regular program is not weakened. UC should not become institutionalized for claimants who are able to work.

A program of continued cash assistance could receive support from the business community only if coupled with mandatory employment assistance. Training and employment assistance programs are better equipped than the UC system to serve the needs of the structurally unemployed. Claimants who exhaust their benefit eligibility ought to be referred immediately to these programs, and the programs ought to be prepared to focus on these claimants. None of the bills before the Committee are directed toward that concern.

PREPARED STATEMENT OF EDWARD A. SHERMAN, MANAGER, PENNSYLVANIA KEYSTONE JOINT BOARD

Thank you Chairman Dole and Senators of the Finance Committee.

My name is Edward A. Sherman. I reside in Allentown, Pennsylvania. I represent seventeen (17) Local Unions through-out the Northeastern part of Pennsylvania with twenty-eight hundred (2800) members. I am also here representing the Pennsylvania Public Interest Coalition, Northeast Chapter.

I appear before this distinquished body of Senators today to try and convince you that ACTION must be taken on one of the two Senate bills. #2550 introduced by Senator H. John Heinz III of Pennsylvania and #2542 introduced by Senator Robert Bryd of W. Va.

The facts I'm about to give you today become old and useless each week that goes by. As the situation becomes more critical.

In the month of April, 1982, thirteen thousand and three hundred & sixty two (13,362) Pennsylvanians exhausted their unemployment benefits.

In the month of May, 1982, an additional fifteen thousand and fifty two (15,052) Pennsylvanians exhausted their unemployment benefits.

This is a total of twenty eight thousand and four hundred and fourteen (28,414) Pennsylvanians who must now be frantic as they have no compensation. And unless you do something here in Washington, D.C. They will become more and more desperate as time goes on. These figures are the latest ones available. The month of June will in all expectations be worse.

1. Right now in the State of Pennsylvania there are over one hundred and seventy two thousand (172,000) workers who have exhausted their unemployment benefits.

2. Right now in the State of Pennsylvania there are over one million (1,000,000) workers unemployed and with no expectation of finding work soon.

To help put this into focus, as we sometimes look and hear about figures and they become so common that we have a tendancy to gloss over them. I would ask you and the citizens of Pennsylvania who are employed to walk thru the cities of Pittsburgh, Allentown, Harrisburg and Scranton. Look at every Man, Woman and Child in these cities and consider them unemployed and that will show you what over one million (1,000,000) unemployed really is.

What effect does Unemployment of this magnitude mean to both the Federal Government and the State Government? It means that both Legislative bodies will be faced with a much higher crime rate. In 1981, in Allentown, PA. the crime rate rose 13.8% over 1980. Rape increased 47.6%, thefts increased 19.5%. Robberies (theft from persons) increased 13.4%. Burglaries increased 3.5%. And assaults increased 6%.

Although there are no statistics available as to how many of these crimes were committed by unemployed citizens, it certainly can be stated that some of them were part of the one hundred and seventy two thousand (172,000) unemployed persons who have exhausted their unemployment benefits, and have become desperate.

It can only mean a greater disruption in the American family. Domestic quarrels, divorce, child-abuse and the breaking up of thousands of families.

To give an example, for every 1 percent increase in unemployment, according to a Michigan State University study quoted in the "Allied Industrial Worker," 38,886 more deaths occur than normally would be expected.

* 20,240 more people have heart attacks.
* 494 more people die of cirrhosis of the liver caused by alcohol abuse.
* 920 more people commit suicide.

* 648 more people are murdered.

* 4,227 more people enter mental hospitals.

* 3,340 more people spend time in state prisons.

Spouse and child abuse rises measurably as well, the study found.

The statistics cited are for every 1 percent increase in unemployment. Between 1979 and 1982, the newspaper notes, there was a 3 percent rise in joblessness, which would triple these figures.

In our city recently, a man who was despondent over being unemployed, and who had served his country in Viet Nam attempted to kill his wife. He severely wounded her and then pointed his weapon at the police. After wounding the Police Chief, he was killed in a blaze of gun fire. The chief reason for this depression as was stated by the local News Media was his recent lay-off and the fact that he had no prospect for future employment. How many more are there, who are reaching this point of desperation?

Unemployment in the Textile and Apparel Industry is an unheard of 14.1%. These unemployed are not living in a vacuum. They see the President of the United States giving Lebanon 60 million dollars with out any hearings, such as we have here today.

We have always been a charitable nation. But the time is NOW for this government to become what it's Forefathers meant it to be.

A Government of the People, for the People, and by the People.

Thank you for your consideration. I am prepared to answer any questions at this time.

Edward A. Sherman

Manager

PENNA. KEYSTONE JOINT BOARD

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PENNSYLVANIA PUBLIC INTEREST COALITION
NORTHEAST CHAPTER

PREPARED STATEMENT OF LIBBY LEONARD, DEPUTY ADMINISTRATOR, OREGON EMPLOYMENT DIVISION

Mr. Chairman and Committee members, my name is Libby Leonard and I am Deputy Administrator of the Oregon Employment Security Agency. I appreciate the opportunity to present the views of the Interstate Conference of Employment Security Agencies, Inc., regarding the extension of unemployment benefits beyond the number of weeks currently available.

The Interstate Conference is the organization of administrators of the unemployment compensation laws and public employment offices in the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands.

During every major recession since the 1950s, Congress has temporarily extended the potential duration of unemployment benefits. In 1970, the permanent federal-state extended benefit program was established to provide up to 13 additional weeks of benefits during periods of high unemployment. In the mid-1970s, a temporary program, Federal Supplemental Benefits (FSB), provided up to another 26 weeks of benefits. That program was initially paid from federal unemployment tax revenues and later from federal general revenues.

During the current recession the impact of high levels of unemployment has been cushioned to great extent thus far by the availability of unemployment benefits. Recently, however, the number of unemployed workers who are exhausting regular and extended benefits has been increasing. Simply extending the duration of unemployment benefits will not solve the problem of longer-term unemployment. The Interstate Conference believes that an extension of unemployment benefits should be considered in the context of other anti-recessionary measures. Until these other remedies begin to show results, however, additional weeks of benefits would minimize individual hardship and help maintain economic stability in many communities.

From our perspective as the administrators of any extension of unemployment benefits which the Congress may enact, we would like to present our views regarding the structure of such a program.

How a supplemental benefits program is financed is an important issue. We believe that the cost of supplemental unemployment benefits should be financed from federal general revenues rather than employer taxes. Part of the financial problems facing the unemployment insurance system today can be attributed to the inadequate financing of extensions of benefits in the mid-1970s. A major part of those benefits were paid from federal unemployment tax revenues. That tax had not been designed to bear the cost of those benefits and consequently ran a deficit. Approximately $7 billion of that deficit, in the form of loans from federal general revenues, is still outstanding and is a liability of the business community.

Benefits which are paid in response to a national recession should be the responsibility of the nation rather than the employers alone. The unemployment insurance program's tax structure is not designed, at either the state or federal level, to bear the cost of benefits beyond the 39-week maximum of regular plus extended benefits. Unemployment insurance is designed essentially for short-term unemployment to help workers bridge the gap between jobs. Benefits paid to the longer-term unemployed go beyond the insurance model on which the system is based, and consequently should be viewed as a countercyclical program rather than unemployment insurance. For the same reasons, the costs of administering a supplemental unemployment benefit program, as well as the benefit costs, should be paid from federal general revenues. As you know, revenues from the current federal unemployment tax are severely strained and may not be sufficient to meet the projected cost of administering the regular and extended programs in FY 1983.

There have been proposals to require more stringent qualifying requirements for supplemental benefits than are in effect for regular or extended benefits. One that has been mentioned is a requirement for 30 weeks of work in the base period. The Interstate Conference opposes this and any other additional qualifying or eligibility requirements. Paying an amount and duration of benefits which bears a relationship to an individual's past work history and earnings is a basic tenet of unemployment insurance. Lengthening the duration of benefits during a recession, however, is justified by the economic conditions and should be available to all workers who have met the qualifying requirements under state law.

In some industries where employment has been sporadic during the last several years, establishing more stringent qualifying requirements might eliminate the workers most in need of assistance.

Further, imposing additional qualifying criteria would have little impact on the benefit costs of the program and would increase substantially the time and costs of administration. A study of the characteristics of recipients of Federal Supplemental Benefits shows that FSB recipients had worked an average of five years at the job held just prior to receiving UI benefits. 1/ Additional qualifying criteria might require requesting additional information from base period employers and making changes to automated systems. This would both delay the initial payment of benefits and run up the administrative costs of the program.

Another important consideration in structuring a supplemental benefit program is defining the economic conditions under which the benefits would

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1/ Corson and Nicholson, W., The Federal Supplemental Benefits Program, W.E. Upjohn Institute for Employment Research, 1982.

be payable. Twenty-seven states are currently paying extended benefits. That number is expected to drop dramatically, however, at the beginning of October when the higher trigger levels established by the 1981 Budget Reconciliation Act take effect. A supplemental program triggered at the same levels of insured unemployment as extended benefits might be paid in fewer than 15 states after October 1. Perhaps some other measures of the need for supplemental benefits, such as the level of regular and extended benefit recipients who exhaust benefits, should be considered in developing criteria for targeting a supplemental benefit program.

The problem of long-term unemployment is a difficult one. We are pleased that this Committee is considering a response to the problem from the national level and that you have given us the opportunity to present our views. Please be assured that we stand ready to efficiently implement any program of supplemental unemployment benefits which the Congress may deem necessary during this time of economic distress.

Thank you again for the opportunity to speak before this Committee concerning this issue. I shall be happy to answer any questions you may have.

Summary

The Interstate Conference of Employment Security Agencies, Inc. (ICESA) is the organization which represents state administrators of the unemployment compensation laws and public employment offices throughout the country.

The Interstate Conference believes that an extension of the potential duration of unemployment benefits should be considered in the context of other anti-recessionary measures. Until other remedies begin to show results, however, additional weeks of benefits would minimize individual hardhsip and help maintain economic stability in many communities.

The Interstate Conference holds the following views concerning the structure of a supplemental benefits program.

. Both benefits and the administrative costs of the program should be paid from federal general revenues rather than employer taxes.

. No additional qualifying or eligibility criteria should be required.

. The economic conditions under which benefits would be payable should be considered carefully.

ICESA is pleased that this Committee is addressing the problem of long-term unemployment. As state administrators, we pledge to efficiently implement any program of supplemental benefits which the Congress deems necessary during this time of economic distress.

PREPARD STATEMENT OF FRANK BRECHLING, PROFESSOR OF ECONOMICS, UNIVERSITY OF MARYLAND

Mr. Chairman and members of this distinguished Committee. My name is Frank Brechling and I am a Professor of Economics at the University of Maryland. I specialize in Labor Economics and over the past eight years or so I have done a substantial amount of research into the working of the unemployment insurance system. I am particularly interested in various aspects of financing the unemployment insurance benefits. Hence I shall emphasize these aspects in my testimony.

Economists have become increasingly aware of the fact that unemployment insurance and similar social programs have undesirable side effects that have been found to be non-negligible. Thus increases in unemployment benefits tend to increase both layoffs and unemployment duration and thus lead to increases in unemployment.

Similar side effects have been found in the various financing methods. In most states the unemployment insurance payroll tax is partially experience rated. Experience rating means that the firm's tax rate rises when the benefits drawn by its own ex-employees rise. This means that employers who regularly lay off a large proportion of employees pay higher taxes than stable employers. Experience rating thus internalizes the cost of unemployment. Hence, it affects the behavior of firms. They have an incentive to maintain stable employment levels in order to reduce their unemployment insurance taxes. While these advantages of experience rating have been recognized for a long time, only recent research suggests that experience rating is a powerful device which reduces layoffs, unemployment duration and, hence, unemployment.

Experience rating is only partial mainly for two reasons: first, there are many benefit payments that are not charged to an employer and, second, the tax schedules have maxima and minima at which experience rating stops. Empirical research suggests especially that increases in the maximum tax rate leads to substantially increased employment stability.

I now turn to the financing of Extended Benefits. Fifty percent of Extended Benefits are paid for out of a Federal Trust Fund which is financed by a general non-charged Federal (FUTA) tax. The other fifty percent is financed out of the State Trust Funds. In 18 states, however, Extended Benefits are not charged to individual employers. Consequently, a very high proportion of Extended Benefits are not charged to employers. As a consequence the significant employment stabilizing effects of experience rating are much reduced in the case of Extended Benefits.

The same argument applies to any general non-charged tax, such as the income tax. It does not give firms an incentive to reduce their layoffs or to curtail the unemployment duration.

An increase in unemployment benefits or a lengthening of the maximum benefit period would most probably lead to an increase in unemployment. But this effect could well be offset by making the existing tax structure more experience rated. In particular, all benefits ought to be charged and the range between maximum and minimum tax rates should be widened.

Senator HEINZ. Our next panel consists of Ms. Martina Ginter, representing the Pennsylvania Public Interest Coalition, Pittsburgh; and Mr. Thomas Glynn, representing the Philadelphia Unemployment Project from Philadelphia.

I understand that Mr. Larry Holmes of the unemployment compensation task force from New York is not present. Is that correct?

[No response.]

Senator HEINZ. Very well.

Ms. Ginter, would you please proceed?

STATEMENT OF MS. MARTINA GINTER, REPRESENTING THE PENNSYLVANIA PUBLIC INTEREST COALITION, PITTSBURGH, PA.

Ms. GINTER. Thank you, Chairman Dole and the Senators of the Finance Committee for this opportunity to come before you today and discuss the urgent need for legislation which would extend unemployment compensation benefits.

I am Martina Ginter from Macungie, Pa. I am here to speak on behalf of the Pennsylvania Public Interest Coalition. The coalition is a statewide organization of community, religious, and labor groups working together to create a unified and powerful voice for the middle and working class in Pennsylvania.

I have come here today to speak for the millions of American workers who are unemployed, facing the real and terrifying possibility of exhausting their unemployment benefits. I am an expert on how it feels to lose one's job. I have been laid off three times in the last year. Being unemployed, I can relate to you the degrading and depressing feelings one has trying to survive on unemployment benefits in a depressed economy.

Like many of you, I grew up in the twenties and the thirties. As a teenager, I struggled with my family through the depression. I cannot communicate to you the pain I feel when I think about having to struggle again to make ends meet nearly 40 years after the depression. Senators, I grew up working so that my family could eat. When I was young I learned the value of work; now, as then, I want to work. Believe me, America's jobless want to work!

When World War II broke out, I joined the fight by becoming one of the millions of women workers in the defense factories. After the war and during my marriages I continued to work.

When my second husband died, I returned to full-time employment as an inspector for Lutron Electronics; but, after 9½ years, they closed the shop and moved my job and those of a 100 other women to Puerto Rico. My layoff at Lutron is an example of one problem in our economy. That problem is the flight of capital out of the industrial Northeast and then out of the country.

Unfortunately, I was to suffer firsthand other major problems of our current economic environment. After my layoff at Lutron last year, I was able to gain employment at Square D, Inc.; but 3 weeks after finding this job I received a pink slip. Square D suffered from having no market for its products due to the current recession. After collecting unemployment benefits for several months, I was blessed again by being hired by CTI Corp. But again I was laid off when CTI was unable to receive credit to remain open.

Senators, today I come here to ask you that you take immediate action to extend unemployment benefits. I provide a living example of what our Nation's unemployed are suffering. We need this extension because there are no jobs. There are no jobs because the Government is unable to stop corporations from leaving their current communities or the country. There are no jobs because the recession has robbed the consumer's pocketbook. There are no jobs because there is little credit available for a company to improve its existing equipment, expand, or just get off the ground.

As Americans, we the unemployed like to feel proud about being Americans and about being American workers. Like all Americans, our Nation's jobless have worked for most of our lives and would like to keep what we have earned—our homes, our cars, our personal possessions—and our dignity as productive participants in the American way of life.

All we want is to have a job and to work with dignity and pride. But today's economy does not provide jobs. Senators, on behalf of the 1.1 million Pennsylvania workers who currently are receiving unemployment compensation and the 10.8 million unemployed workers nationally, I ask you to pass legislation that will extend our benefits. We need these benefits so we can survive until the economy can provide us with jobs.

Please act with haste, for every day thousands lose their benefits and will soon lose all that they have worked for to debt collectors. We, the unemployed, are not asking for a handout, just help until we can take again our places in the stores, the shops, and the factories.

Thank you.

Senator **Heinz**. Ms. Ginter, thank you for a very eloquent statement—very.

Mr. Glynn.

STATEMENT OF THOMAS GLYNN, REPRESENTING THE PHILADELPHIA UNEMPLOYMENT PROJECT, PHILADELPHIA, PA.

Mr. **Glynn**. Mr. Chairman, honorable Senators, ladies and gentlemen, my name is Thomas Glynn. I am a member of the Philadelphia Unemployment Project. I've been unemployed since March 6, 1982, looking for work in a Delaware Valley job market that was poor when I was first laid off and seems to be worsening.

I appreciate the honor and the opportunity to testify before this committee on the debilitating effects of unemployment on me and my family.

Fifty-three is not a prime age to enter or reenter the job market. Everyone in my family knows this, and, even though I try very hard to explain to them that employers are looking for experience as well as trainable youth, there is that moment at the dinner table when after a job interview I am asked, "Did you get the job?" And I have to answer "No." The eyes cast down, and we finish our meal in silence. They know.

They also know that for the past 30 years I have held jobs that have given me excitement, enthusiasm, and enormous opportunities for self-development, all of which were fed back into the companies. They read my letters of achievement and recommendation;

they gave me verbal praise; they shared the joys of my pins and plaques given for length of service or a job well done; they thought I was invincible. So did I.

The material trappings added a great deal to this feeling of security, this buying of the American dream—our home in a quiet neighborhood, a fine car in the garage, our youngster doing well in a private prep school, the plans to use our vacation period to look for a quiet retirement site to spend our last years.

On March 6, 1982, the rug was pulled from under us. It is ironic that, while I'm here before you today, I've yet to decide whether to spend the money left in this month's budget on fixing the washing machine or buying a new pair of sneakers for my 15-year old son. I've yet to tell my wife about the retirement savings I've had to use to pay our utility bills.

I know that deep down inside I remain strong and hopeful. I also know why I feel powerless and impotent. One man's plight? Yes, but to a greater or lesser degree it is being multiplied by tens of millions of America's workers each and every day.

I know that the steelworkers of Pittsburgh's Mon Valley feel the same way as I. Daily, hundreds of steelworkers are laid off and thousands more are losing their benefits, and they are left to feel the same way as I—questioning themselves and their abilities as well as the American dream.

Now, what of the day very soon when the benefits run out?

Ladies and gentlemen, these committee hearings, as I understand them, are designed to determine the feasibility of extending Federal unemployment benefits. I join my friends and colleagues in urging you to vote affirmatively on this legislation. But at best, this legislation will only extend the inevitable, given the current job market.

What we need is to join together—the legislative branch, the labor community, the business community, the educators, thinkers—indeed everyone who has thoughts or ideas on how to create more jobs.

We must hurry, gentlemen. I cannot defer my life's work much longer.

Senator HEINZ. Thank you very much, Mr. Glynn.

[The prepared statements of the previous panel follow:]

PREPARED STATEMENT OF MARTINA GINTER, REPRESENTING PENNSYLVANIA PUBLIC INTEREST COALITION, NORTHEAST CHAPTER

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PREPARED STATEMENT OF THOMAS GLYNN, MEMBER OF THE PHILADELPHIA UNEMPLOYMENT PROJECT

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They also know that for the past thirty years, I've held jobs that have given me excitment, enthusiasm, and enormous opportunities for self development all of which were fed back into the companies. They read my letters of achievement and recommendation. They gave me verbal praise. They shared the joys of my pins and plaques given for length of service or a job well done. They thought I was invincible. So did I.

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We must hurry gentleman. I cannot defer my lifes work much longer.

Senator HEINZ. One of the points made by the administration when they testified was that less than half of the people who are on unemployment compensation or eligible for it have children under 18.

Do you have children under 18?

Mr. GLYNN. Yes; I do.

Senator HEINZ. Ms. Ginter, your kids are probably grown up; is that right?

Ms. GINTER. I am a widow.

Senator HEINZ. Now, it seems to me that in your case it is not going to be easy for you to find another job someplace.

Ms. GINTER. No.

Senator HEINZ. If we were lucky enough to have a steel mill open, could you go to work in a steel mill?

Ms. GINTER. I would try.

Senator HEINZ. I'm sure you would.

Ms. GINTER. I would give them my best shot. Yes; I would.

Senator HEINZ. Do you suppose you could answer one of those want-ads in the newspaper for a surgical assistant, though?

Ms. GINTER. I don't know if I could answer that, but I would give them my best shot. I really want to work. I want a job. I am self-supporting, and I feel it is very degrading for someone to say, "Well, McDonald's is hiring." That, to me, is degrading. I feel that after working some 40 years I don't want to work at McDonald's.

Senator HEINZ. Well, one of the arguments that the administration made—I don't accept it—they claim they can prove with statistics—you know that old saying, you can prove anything with statistics—that this is a disincentive to work if we extend these benefits. Now, I don't agree with that.

Ms. GINTER. No, I don't think so, because I am out there looking. I go at least 1 day a week, because that is all I can afford living on unemployment. I can take my car one day a week and look for work.

Senator HEINZ. And you try very hard to do that, don't you?

Ms. GINTER. Yes; I do. I have been going out. Even though I am unemployed, I go out looking for work, because I don't enjoy staying home. I like to be out in the work force.

Senator HEINZ. Mr. Glynn, how about yourself. What kind of effort are you making to look for work?

Mr. GLYNN. I have done a lot with résumés, and I'm surprised at the silence that can come from——

Senator HEINZ. I can't hear you; I'm sorry.

Mr. GLYNN. I'm sorry. I'm not speaking into the microphone.

I have done a lot with résumés. My last job was that of a buyer for Colt Industries.

Senator HEINZ. For Colt?

Mr. GLYNN. For Colt Industries, yes, sir.

Senator HEINZ. We are having a little problem getting them to keep their crucible division open in Midland, Pa. You didn't buy for that steel mill, did you?

Mr. GLYNN. No, sir. I bought for France Compressor Products Co. in Philadelphia.

But much of my effort has been in résumés and follow-up telephone calls, and there simply hasn't been anything happening. So I started very recently going out and trying to get interviews, and not much has happened as a result of that, either.

Senator HEINZ. You know, our previous panel, which was here and we didn't have much time to question, I think it was Ms. Leonard who made the point that this recession we're in today is very different from the recession we had in 1975. The recession in 1975 hit like a ton of bricks because of the oil price shock; a big increase had gone into effect. Then those prices didn't go up, and we got out of that recession rather quickly. It was in and out.

We have been in a recession so far, by my count—not as the economists count it, but by my count—for almost 2 years. And that's very, very different. We have had high interest rates in this country since the spring of 1980. Now here it is, the summer of 1982, and, as you mentioned, Ms. Ginter, those high interest rates made it impossible for one of your employers, CTI, I think you said, to stay in business.

Ms. GINTER. Yes, with the new corporation opening downtown, we worked 6 weeks and we had to close.

Senator HEINZ. I don't know of anybody around here who is forecasting that those high interest rates are going to go down next week. We're all kind of keeping our fingers crossed that they don't go back up; but nobody is betting lots of money at least. If you talk to those speculators on Wall Street, they are all speculating that the bond prices are going to go back up. I don't know whether they are right or wrong; I never bet on Wall Street. I would always be wrong, I'm sure, if I did.

But I think people ought to realize that this is a very persistent, lengthy recession. It already has been. Anybody who says the light is at the end of the tunnel, well, it reminds me of what Johnny Carson said 3 or 4 months ago. He said, "The administration said they see the light at the end of the tunnel. That's the good news. The bad news is it's somebody with a miner's lamp looking for food stamps."

I am advised that those quorum calls over on the floor are for my benefit. I'm supposed to be over there at 12:30 to conduct a colloquy on the subject of social security.

I want to thank both of you—well, all three of you, and perhaps a supporting cast I see in the background—for having come down from our respective great cities of Pittsburgh, Ms. Ginter, and Philadelphia, Mr. Glynn. We are very appreciative of the time and effort and trouble that you all went to to come down here. Your testimony will be noted and heard by the rest of the members of this committee.

You speak not only for yourselves but for literally thousands upon thousands of Pennsylvanians and the tens of thousands of people across this country.

Ed Sherman, who came down from the Allentown area, gave us very eloquent testimony of how in our State in April and then again in May nearly 10,000 workers each month lost their benefits—lost their benefits—have nothing. They are in the situation that you fear, Mr. Glynn, is just around the corner, a matter of weeks away for you. We have already got at least 18,000 that he identified, and that's just from 2 months. I know how much your family must be concerned and you must be concerned about becoming one of those many thousands. It's even worse to be one of those thousands.

So, we thank you very much for your testimony. It is deeply and sincerely appreciated. Thank you very much.

Ms. GINTER. Thank you.

Mr. GLYNN. Thank you.

[Whereupon, at 12:46 p.m., the hearing was adjourned.]

[By direction of the chairman the following communication was made a part of the hearing record:]

PREPARED STATEMENT OF LARRY HOLMES, REPRESENTING THE UNEMPLOYMENT COMPENSATION TASK FORCE OF THE ALL-PEOPLES CONGRESS

The government's attitude toward the more than 10 million unemployed and their families has been both cynical and vindictive. The laws governing unemployment compensation and in particular extended benefits have been undermined by Congress in recent years. The formula that is used to trigger payment of extended benefits in each state, like the official unemployment statistics that exclude more unemployed people than they count, disguise the severity of joblessness and the need for aid rather than illuminate it.

The government portends to insure the unemployed while designing a system that deprives insurance to most of the people who need it. Maybe rumors of a possible federal extension of unemployment benefits have given some hope to the millions of recipients of unemployment compensation who are drawing closer to the 26 week doomsday deadline with little hope of finding a job.

What many of them probably don't know is that if you live in New York City, for example, where official unemployment is 9.9% even if there is a federal extension of benefits residents of New York State and half of the other states in the country will not be eligible to receive this aid because their states have not satisfied the trigger formula. What is more, on September 25 thanks to Congress and the President the trigger is going to be raised. When that happens the overwhelming majority of states will not be eligible for extended benefits.

We call upon President Reagan and the Congress to:

- immediately extend unemployment benefits to all states.
- repeal the September 25 trigger increase.
- abolish the trigger system altogether. Unemployment is indisputably the major problem in the country today. That fact alone should satisfy any and all major efforts to provide jobs or an income for the millions who need help now.

Unemployment benefits should be extended until the joblessness have been able to find jobs or the government has found jobs for them. Furthermore, unemployment insurance has little value if most of the unemployed are declared "not eligible" by the government. As it stands only a fraction of the unemployed receive benefits. Simply being unemployed, willing and able to work, regardless of age or job history should make a person eligible to receive unemployment compensation.

The money is available: Hundreds of billions of dollars have been poured into the Pentagon at the expense of the peoples' needs and the Reagan Administration has granted big business the biggest tax breaks in history. There is tremendous wealth in this society, and that wealth should be allocated first and foremost to meet the needs of the people, not to make bombs and subsidize corporate profiteering.

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